HEALTH & BEAUTY

# 2020

## ANNUAL REPORT

LR HEALTH & BEAUTY GROUP

HEALTH & BEAUTY

"

**WE ARE THE MOST ATTRACTIVE SOCIAL SELLING PLATFORM.**

**WE MAKE OUR CUSTOMERS FEEL HEALTHY, BEAUTIFUL AND VITAL.**

**MORE QUALITY FOR YOUR LIFE.**

LETTER OF MANAGEMENT BOARD

# WE BELIEVE IN THE HIGH POTENTIAL OF OUR COMPANY ...

## DEAR ALL,

2020 was a truly memorable year. Despite the challenging circumstances, 2020 was not just a very eventful year for LR Health & Beauty, but also an exceptionally successful one. On balance, we can look back on the most profitable year in our 35-year company history. By far: we achieved a record turnover. In the last fiscal year, we managed to boost turnover of goods by 27% compared to the previous year, meaning we generated roughly 285 million euros. The operative result (EBITDA) grew disproportionately compared to 2019.
This means, we managed to create an exceptionally profitable business. All in all – despite the challenging circumstances – we managed to generate an EBITDA of 36.7 million euros in the fiscal year 2020.

A topic that was constantly on everyone's mind in 2020 was, of course, the coronavirus. Looking back, we can say with satisfaction: as a company, we managed to continue on our successful growth course both before the pandemic struck and also during and after the lockdown phases – something we are very proud of. We were able to keep all our employees and enabled them to work from home across the board. The continued high quality and availability of our products was ensured thanks to flexible and stable operating processes.

We were also able to continue our product development – with the usual high quality standards. Proof of our ability to react quickly and flexibly was the launch of our Alcoholic Hand Spray in spring 2020, which we introduced after just 14 days.

Digitisation remains another important topic for LR. The consistent further development from a

**ANDREAS FRIESCH**
CEO/SPOKESMAN OF THE BOARD

traditional direct sales company to a digital social selling company helped us to achieve dynamic and profitable growth in the past fiscal year. We have aligned structures and processes with the digitisation trends in the market and, above all, developed sustainable business models for our Partners. It is important to us as a company to invest in the people who use the products and recommend them directly, and not in marketing in the traditional sense or in Google Ads etc. As a modern social selling partner, we offer our sales partners a better quality of life by using our digital platforms with innovative products and the option of generating a flexible and attractive additional income. With the launch of digital tools, such as our "LR Connect" training app, we support our Partners on their path into the digital world and enable them to develop their careers easily, systematically and transparently. Switching to the digital communication level also enables us to host a number of digital events, such as webinars and digital business days.

Overall, we see that LR and the sales partners benefit from the digitisation process. Among other things, it enables our Partners to recommend LR products easily and competently without any contact barriers. In addition, we see that due to the high level of use of the various social networks, our LR micro influencers achieve an enormous reach. In December 2020 alone, more than 25,000 new Partners joined LR, representing mainly younger target groups. But existing Partners also benefited last year, and many continued to climb their career ladders. Almost 19,000 Partners were able to achieve a marked development in their careers. We currently have over 320,000 active sales partners and customers who sell our products in a total of 28 countries.

Our growing popularity thanks to digital channels and the increased demand for health products make us optimistic that we will emerge stronger from the tense economic situation – and we are still a long way off from reaching our goal.
In 2021, we want to continue on our successful growth course and become Europe's leading digital social selling platform. We were able to reach a milestone for this aim at the beginning of the current fiscal year: we entered the capital market with a bond of 125 million euros. In the past, we have continuously professionalised the company and geared it towards the future, so now we were finally able to take the next step towards broadening our finances and becoming more independent from banks. At the same time, we are increasing our transparency, which clearly sets us apart from our competitors.

In addition, we are planing further investments in our product range, digitisation and internationalisation. As part of the expansion of our product range, we successfully launched our latest innovative nutritional supplement in January 2021: LR Lifetakt Cell Essence – the holistic solution for our cells. We will, of course, continue to develop popular products in the future and will constantly expand

**DR. ANDREAS LAABS**
CFO/COO

our product portfolio in the health and beauty sector. We would also like to promote the expansion of digital platforms in 2021. We are impressed by how many of our Partners are already active in the digital world, which is why we want to support them with enhanced digital solutions. Among other things, we are planning on introducing new IT systems such as the relaunch of our e-shop and the implementation of new payment options. Internationally, we are planning on entering the South Korean market from March – a first step towards conquering the Asian market.

Last but not least, we would like to thank our LR Partners, business partners, investors, employees and customers for the always very good cooperation and commitment.

We are very much looking forward to the upcoming events and are looking towards the future with confidence – true to the motto:

**"WE BELIEVE IN MORE!"**

Andreas Friesch (CEO) Dr. Andreas Laabs (CFO/COO)

# ... IN MANY DIFFERENT WAYS!

# LR ANNUAL REPORT 2020 CONTENT

# WE BELIEVE IN MORE QUALITY FOR YOUR LIFE

IN 1985 LR STARTED AS A COMPANY WITH FIVE EMPLOYEES AND DEVELOPED TO A SUCCESSFUL GLOBAL PLAYER. AND THE STABLE GROWTH OF MORE INTERNATIONALITY, QUALITY, RESPONSIBILITY AND OPPORTUNITIES STILL CONTINUES.

01

MORE QUALITY FOR YOUR LIFE

# WE CARE FOR PEOPLE´S LIVES

## OUR COMPANY

As a modern social selling partner, the LR Group distributes over 300 different products in the areas of body care, beauty, health and nutrition in 28 countries through the partner community, which currently comprises more than 320,000 active sales partners and customers.

Since its foundation in 1985 in Ahlen / Germany, LR Health & Beauty has established itself as one of the leading European direct sales companies in the field of health and beauty products. LR is also a member of the European association Direct Selling Europe (DSE) with around 1,200 employees across the globe. With quality "Made in Germany" and a unique business model, we have been a successful European business for the past 35 years and are currently expanding worldwide. In 2021, we want to enter the Asian market, starting with LR Korea.

Since 2013, LR is part of the portfolio of the investment company Quadriga Capital. CEO and spokesperson for the management, Andreas Friesch, has been part of the team since 2018 and, together with Andreas Laabs and Thomas Heursen, he is navigating LR extremely successfully through these challenging times. 2020 – the company's 35th anniversary – was LR's most successful business year by far. Buoyed up by this excellent news, LR Global Holding GmbH has entered the international capital market for the first time in February 2021.

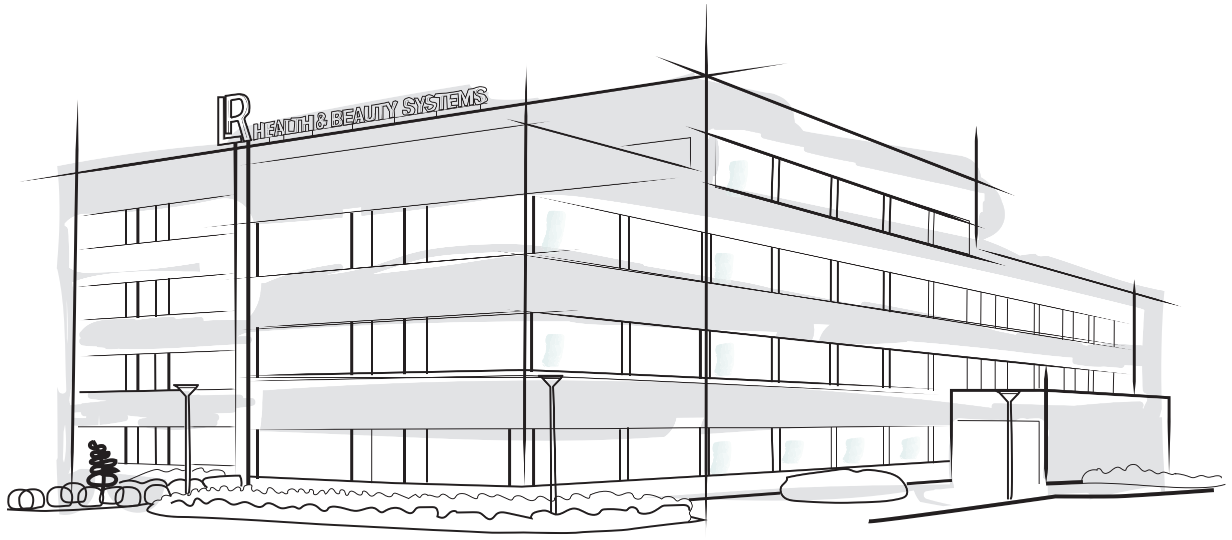
We want to continue on this dynamic growth course in 2021 and develop LR into a leading digital social selling platform. To this end, we will continue to align LR's structures with the digitisation trend on the market and promote the development of new blockbuster products.

SINCE **35**

YEARS SUCCESSFUL IN EUROPE

ABOUT **1,200**

EMPLOYEES




Thanks to our unique business opportunity and our innovative and competent health and beauty solutions, we sustainably improve the quality of life for many people. With an individual career programme, targeted training, excellent service and a wide range of training tools, we have been leading our sales partners to business success for over 35 years.

Our customers should feel healthy, beautiful and zestful when using our products. Irrespective of place, time, economic crises or pandemics, we are offering an attractive and individual purchasing experience on our digital social selling platforms – 24/7.

## OUR VISION

> **"We are the most attractive social selling platform. Through our unique business opportunity and innovative & competent health & beauty solutions, we improve the quality of life. We help our partners grow through our human-centric incentive system, training and support services. We make our customers feel healthy, beautiful and vital. We provide a unique personal customer experience through our social selling touchpoints.**

MORE QUALITY FOR YOUR LIFE


OVER **300**

HEALTH & BEAUTY PRODUCTS

**28**

COUNTRIES WORLDWIDE

## OUR INNOVATIVE PRODUCTS

Our product portfolio comprises cutting-edge health and beauty solutions that combine natural ingredients with scientific innovation. This includes care products and cosmetics, perfumes and nutritional supplements. At the company-own development centre, experts from the fields of cosmetics and health constantly research and work on new solutions and products. Numerous marketing awards and certificates by renowned German institutes such as SGS INSTITUT FRESENIUS or Dermatest, confirm the high quality and innovative strength of our products.

> **With innovative product solutions that cater to people's growing health consciousness, we are fully on-trend.**

The secret to our success? We have always banked on the quality principle "Made in Germany" and manufacture over 90% of our products in Germany. The high product quality is ensured by strict internal controls and double-checked by renowned and independent laboratories. We do not do animal testing and set great store by using reusable raw materials. We also promote environmentally friendly production processes and energy-saving logistics solutions.

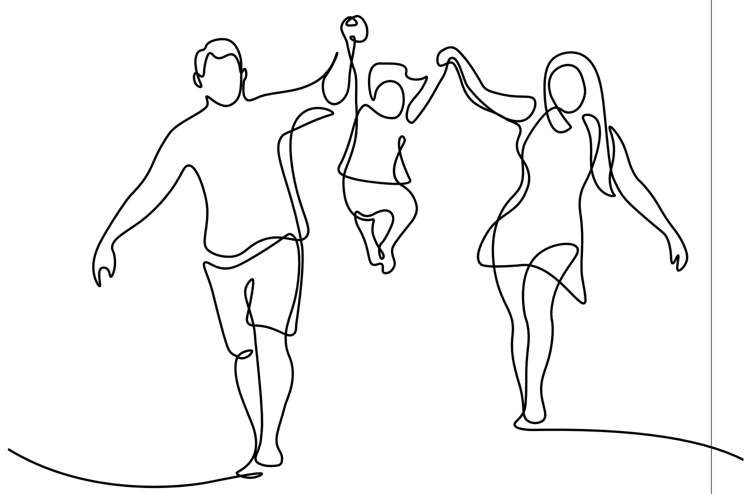
## OUR BUSINESS CONCEPT

For over 35 years, we have been giving people the opportunity to shape their lives independently and successfully by becoming sales partners. Thousands of LR Partners have achieved financial freedom and a better quality of life thanks to LR. They are all part of an international team that has established LR's success with a modern sales system, digital possibilities, enthusiasm for fantastic products and plenty of passion.

PROVEN QUALITY | LOVE OF NATURE AND ANIMALS | SUSTAINABLY PACKAGED | MADE IN GERMANY | FSC | dermatest

The LR business model offers independence coupled with the security of a large company that supports its Partners in all phases of their careers. Especially in difficult times, like in 2020, this concept has proven to work well – an added bonus is the team spirit in the LR community. In 2020, we recruited more newcomers than ever before in LR history.

The merging of offline and online activities is becoming more and more important for the LR business and has shown us a glimpse of the future. With innovative tools, such as "LR Connect", our company is state-of-the-art and ideally equipped to meet the requirements of the digital age.



## OUR SOCIAL ENGAGEMENT: LR GLOBAL KIDS FUND E.V.

"More quality for your life" not only applies to the products and the business model, but also to the social commitment of LR Health & Beauty. The charity, founded in 2009, is based on the collective commitment of the company, its employees, sales partners and customers and supports children's aid projects in countries in which LR is active.

## OUR AWARDS

### 2015
**ASTRA AWARD**

At the European Direct Selling Conference 2015 in Brussels, LR Health & Beauty received the Astra Award "Company of the Year". This award means the European Direct Selling Association recognises LR as the best direct sales company.

### 2018
**BUSINESS AWARD BY THE CITY OF AHLEN**

The twelfth business award by the city of Ahlen – in the shape of the "Ahlen mammoth" – was awarded to LR Health & Beauty in 2018.

### 2018
**CHILDREN'S VILLAGE CLUB**

In 2018, SOS Children's Villages International awarded the LR Global Kids Fund e.V. the bronze SOS Children's Village Cup for the valuable work they do.

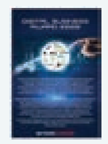
### 2019/20
**GERMAN BRAND AWARD**

german brand award 19 winner

In the "Excellent Brands" competition, the LR LIFETAKT 5IN1 BEAUTY ELIXIR convinced the 2019 jury in the "Beauty & Care" category as one of the best product brands in the industry. On top of that, the elixir also received a "Special Mention" in the cross-sector category of "Product of the Year".

german brand award 20 winner

In 2020, LR received its second German Brand Award, this time for the sleep-promoting product LR LIFETAKT NIGHT MASTER.



### 2020
**DIGITAL BUSINESS AWARD NETWORK CAREER**

Special award for the great digital support of LR sales partners during the global COVID-19 pandemic.

02

# WE BELIEVE IN MORE INDEPENDENCE & FLEXIBILITY

LR GIVES PEOPLE THE OPPORTUNITY TO WRITE THEIR OWN SUCCESSFUL STORY. THEY CAN MAKE THEIR DREAMS COME TRUE BY CREATING NEW FREEDOMS AND BY ACHIEVING FINANCIAL STABILITY AS A PART OF THE LR TEAM, WHEREVER THEY ARE.

# OUR UNIQUE BUSINESS MODEL

**LR OFFERS A FAIR WAY TO ACHIEVE MORE FINANCIAL STABILITY, MORE FREEDOM AND, IN MANY CASES, MORE QUALITY OF LIFE. WE APPRECIATE EVERY PARTNER'S INDIVIDUAL COMMITMENT AND OFFER ATTRACTIVE INCOME OPPORTUNITIES. OUR TRIED AND TESTED CAREER PLAN TAKES NEW PARTNERS BY THE HAND AND GUIDES THEM STEP-BY-STEP THROUGH OUR TRANSPARENT REMUNERATION SYSTEM.**

> **Equal opportunities for all people with different careers, backgrounds and starting points. Fair business opportunities without risks to write personal success stories.**

## THIS IS HOW THE LR BUSINESS WORKS

As an independent LR sales partner, you have the opportunity to buy our products at discounted rates – to resell them to your customers and to benefit from the difference between the purchase and the sales price (trading margin). With every LR product sold, our Partners collect a so-called "PV" (Points Value). The Points Values are the same internationally, facilitating a fair assessment. As the number of PVs increases, so does your Bonus Level and thus the earnings that each Partner receives in addition to their trading margin from product sales. The earnings are always paid in the middle of the following month. If you want to, you can expand your LR business further and increase your bonus by getting more people involved in our LR business and adding them to your team. When you set up a team, LR will give you even more income opportunities. The more successful a team is, the higher the individual bonuses will be at the end of each month.

## NO RISK – JUST FUN

As an LR Partner, you do not have to worry about storage, logistics and shipping – LR takes care of everything. In addition, you are not obliged to buy fixed amounts or to generate a certain turnover, and there are no contractual periods. To get the ball rolling, all prospective Partners receive a starter package with a selection of products so they can get to know them. They also get access to the personal Partner website – including a link to the online shop – as well as a whole range print media. Thanks to our unique business model and various digital tools, everyone can work completely independently – anytime and anywhere.

## DIVERSE CAREER OPPORTUNITIES

Our philosophy "More Quality for your Life" applies to both our products and our sales model. We help people kick-start their career and write their own success story. At LR, everyone gets the chance to successfully and autonomously shape their life – regardless of gender, skin colour, religion or background. Depending on their respective living situation, our Partners decide themselves how deeply they want to get involved in the business.

The majority of our Partners run their LR business on a part-time basis and thus generate an attractive additional income, e.g. for holidays, special purchases or treats which they cannot otherwise afford.

Each Partner decides for themselves how much time they want to invest in the business – in product sales and on building a team and achieving successes together with other Partners. In our unique LR Career Plan, various bonus levels are set as economic incentives. Dedicated Partners can try to reach these and thus boost their individual income. In 2020, almost 19,000 Partners reached a new step on their career ladder.

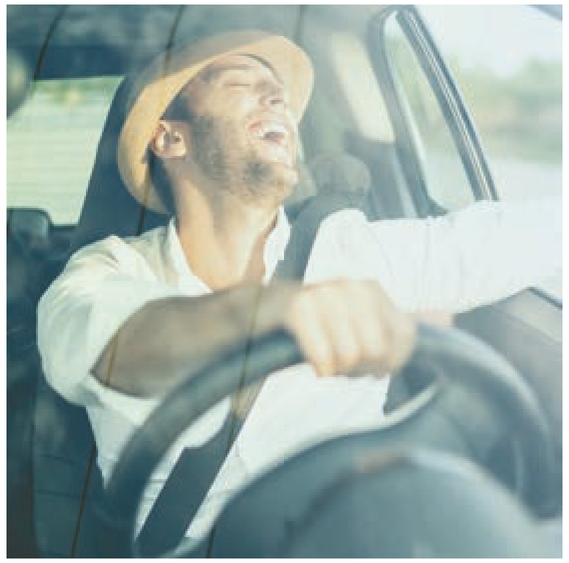
## SPECIAL SUPPORT

Seminars, coaching and an online platform with tutorials, presentations and webinars are available for individual further training. Exciting live and digital events allow sales partners to exchange ideas on a regular basis.

## MOBILITY COMES FIRST

In day-to-day business, Partners not only communicate with customers and within the team, they also need a high degree of mobility. As part of the LR Car Concept, Partners get attractive cars at exclusive leasing rates. To this end, LR is collaborating with several prestigious car manufacturers: VW/AUDI, BMW, Mercedes and Porsche. These traditional German companies perfectly match our own company philosophy: modern, innovative and manufactured in accordance with German quality standards.

LR subsidises its Partners' mobility, provided they regularly generate a certain turnover with the sale of LR products. The extent of the subsidisation depends on the turnover generated and can amount to the entire leasing rate.



MORE INDEPENDENCE & FLEXIBILITY

## STRONG COMMUNITY:

OVER **21,000**

SALES PARTNERS HAVE BEEN WITH LR FOR MORE THAN 10 YEARS

**WE ARE ONE OF THE BEST SOCIAL DIRECT SELLING COMPANIES IN EUROPE – REDEFINING DIRECT SELLING.**

**WE ARE DRIVEN BY IMPROVING OUR PARTNERS LIVES TO MORE: DIVERSE CAREER- AND INFLUENCER MARKETING OPPORTUNITIES, PERSONAL CUSTOMER EXPERIENCES AND MORE POSSIBILITIES.**

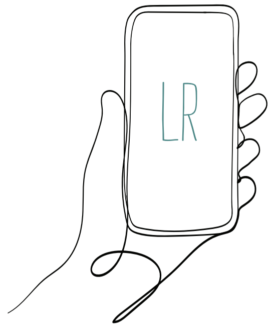
## "SOCIAL SELLING" IS OUR GUIDING PRINCIPLE– AND THE POWER BEHIND OUR BUSINESS

LR impresses internationally with an extremely strong community and thriving community spirit. LR Partners love our company and are proud brand ambassadors. Millions of customers and thousands of sales partners are enthusiastic about our products and use them themselves on a daily basis. They are families, couples, single parents or singles of all nationalities, skin colours and religions.

Helping people achieve a better quality of life through our products and the opportunities our business offers is our mission. Which is why our marketing expenses do not flow into Google Ads or other advertising measures, but directly into the compensation plan and thus benefit the extended international LR family.

With exclusive events, parties, trips around the world and an extraordinary car concept, we reward the performance of our sales partners and, at the same time, motivate them to do their best to achieve their personal goals. This creates trust and a close link with our company. The high number of Partners who stay with LR for many years speaks for itself.

We are thrilled that more and more women have discovered LR. They are running their businesses very successfully and are thus able to significantly improve their quality of life and make their dreams come true.




## DIGITISATION – FOR TURBO-CHARGED DIRECT SELLING

Markets and companies are fundamentally changing due to increased digitisation. Workflow, structures and processes are becoming more dynamic and more complex. As a successful company, we have quickly embraced the new technology and, above all, see the many new possibilities it opens up for direct sales.

> **The Future of Direct Selling is young & digital**

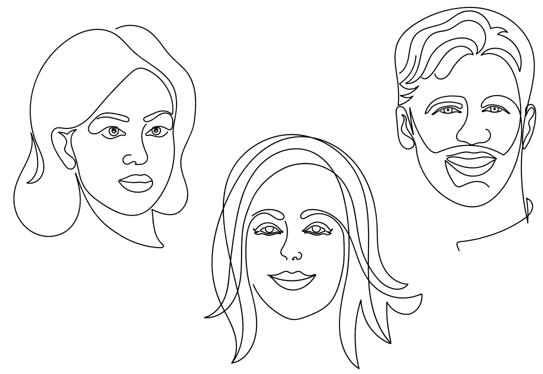
Innovative tools, such as the LR Connect app, offer simple and intuitive support for productive and efficient work, easy selling, quick communication and sophisticated training by our LR Partners. These tools also provide us with individual communication options thanks to streamlined networking opportunities and straightforward access. The direct and quick exchange of information and data ensures maximum flexibility – irrespective of where and when.

## DREAM TEAM: DIRECT SELLING & DIGITAL NATIVES

For the generation of "digital natives", the use of modern communication technologies and the advantages of the internet community are a matter of course. As a rule, they are well-connected and navigate the virtual world extensively, both professionally and in private. Social media (Instagram, Facebook etc.) are a fixed part of their day-to-day lives, and they know exactly how to exploit these channels for their business.

The boom of online shopping is also a result of the purchasing habits of the younger generation. This development has been accelerated due to the COVID-19 pandemic. Gathering while keeping your distance – that is only really possible in the digital world. So, ideal conditions for successfully running a direct sales business and a win-win situation for LR and its Partners!

**SPOTLIGHT ON:** THE YOUNG GENERATION
The average age of our sales partners is currently dropping. 28% of newcomers are 18-29 years old, and 25.5% are 30-39 years old.
(As of: December 2020)



> **Every Partner is a potential influencer**

The term "social" in social media shows how well the new digital channels fit our business model: the aim is to find interested parties and to stay in contact with them. This is also true of LR. These days, significant relationships with potential customers or team partners can be established using modern social media.

**IN CONCLUSION:** the special challenge for LR is to reconcile proven traditional ways of working with the new digital possibilities. Personal and direct interpersonal contact can never be fully replaced by virtual encounters. However, the fact that our newcomers are getting younger and therefore more digitally savvy shows us how well LR is positioned for the future.

# WE BELIEVE IN MORE INTERNATIONALITY

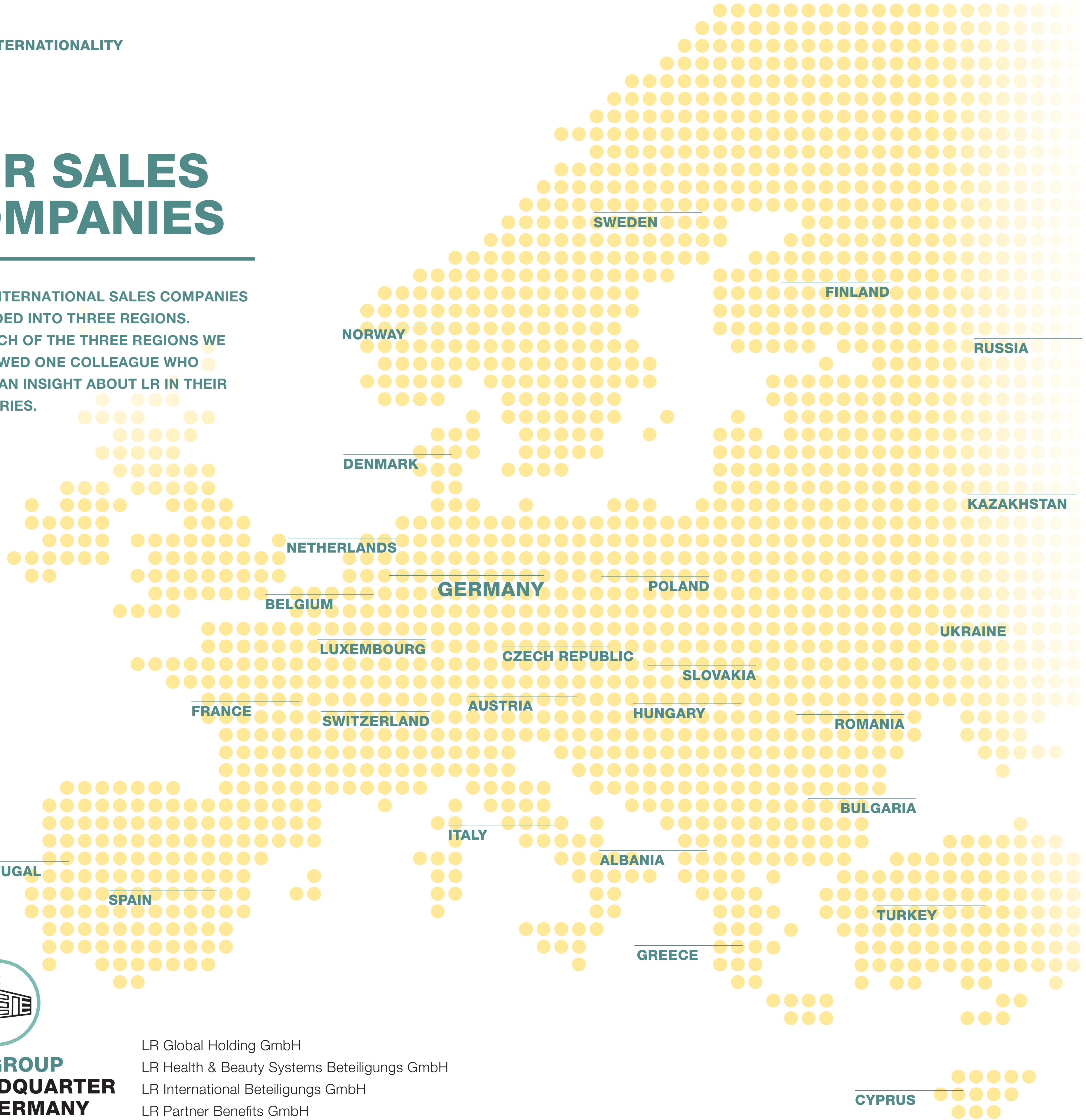
WITH OUR 28 INTERNATIONAL SALES COMPANIES, 1,200 EMPLOYEES AND THOUSANDS OF INDEPENDENT SALES PARTNERS, WE ARE ONE OF THE LEADING DIRECT SALES ENTERPRISES IN EUROPE. DUE TO THE CONTINUOUS CREATION OF NEW MARKET OPPORTUNITIES, LR HEALTH & BEAUTY ENSURES STEADY GROWTH.

03

MORE INTERNATIONALITY

# OUR SALES COMPANIES

**OUR 28 INTERNATIONAL SALES COMPANIES ARE DIVIDED INTO THREE REGIONS. FROM EACH OF THE THREE REGIONS WE INTERVIEWED ONE COLLEAGUE WHO GAVE US AN INSIGHT ABOUT LR IN THEIR SUBSIDIARIES.**




## LR GROUP HEADQUARTER IN GERMANY

LR Global Holding GmbH
LR Health & Beauty Systems Beteiligungs GmbH
LR International Beteiligungs GmbH
LR Partner Benefits GmbH
LR Health & Beauty GmbH
Styria Immobilienleasing GmbH & Co. Projekt Ahlen KG
LR Jersey Holding Limited, Jersey

## INTERNATIONAL SALES COMPANIES

### REGION 1

**AUSTRIA**
LR Health & Beauty Systems GmbH

**BELGIUM / LUXEMBOURG**
LR Cosmetic Belgium b.v.b.a

**DENMARK**
LR Health & Beauty Systems ApS

**FINLAND**
LR Health & Beauty Systems OY

**FRANCE**
LR Health & Beauty Systems SAS

**GERMANY**
LR Health & Beauty Systems GmbH

**NETHERLANDS**
LR Health & Beauty Systems BV

**NORWAY**
LR Health & Beauty Systems AS

**SWEDEN**
LR Health & Beauty Systems AB

**SWITZERLAND**
LR Health & Beauty Systems AG

### EXPANSION

**SOUTH KOREA**
LR Health & Beauty LLC, South Korea


### REGION 2

**CZECH REPUBLIC**
LR Health & Beauty Systems s.r.o.

**ITALY**
LR Health & Beauty Systems S.R.L.

**POLAND**
LR Health & Beauty Systems Sp. z.o.o

**PORTUGAL**
L. de Racine Cosmeticos Lda.

**SLOVAKIA**
LR Health & Beauty Systems s.r.o

**SPAIN**
LR Health & Beauty Systems S.L.

**UKRAINE**
LR Health & Beauty Systems TOV

### REGION 3

**ALBANIA**
LR Health & Beauty Systems Sh.p.k.

**BULGARIA**
LR Health & Beauty Systems EOOD

**GREECE / CYPRUS**
LR Health & Beauty Systems EPE

**HUNGARY**
LR Health & Beauty Systems Kft.

**ROMANIA**
LR Health & Beauty Systems S.R.L

**RUSSIA / KAZAKHSTAN**
LR Russ O.O.O

**TURKEY**
LR Health & Beauty Systems Ltd.

MORE INTERNATIONALITY

# OUR COLLEAGUES IN OUR SUBSIDIARIES

## REGION 1: FRANCE

**I like to be a part of LR because …**

… for me LR is unique. What makes LR unique for me is what exists and its ambition. What exists are quality products, covering a wide range of products that allow everyone to take care of themselves. This has never been as important as it is today, and our growth is the best proof of this. It is also a proposition that is attracting more and more Partners with a dynamic marketing plan and a career plan that keeps its promises, and therefore allows people to discover a new life.

Its ambition makes LR the future leader in terms of network sales, relying on people of confidence to build a sales force with all kinds of profiles and therefore extremely powerful.

**The reputation of LR …**

… in France is very good by the quality of its products and the very attractive company's marketing plan. As long as we are in tune with the concerns of our Partners and customers, we will continue to develop our network as we have done in 2020. And for this, I have full confidence in the product development teams and in our ability to invest in new ranges! The top selling products in France are the LR Aloe Vera Drinking Gels, Aloe Via Propolis and 5 in 1 Beauty Elixir. As far as sets are concerned, the Body Mission is the most successful set in France.

**I would describe the year 2020 at LR …**

… in France as exceptional despite the difficulties linked to the health crisis. March was the month of "reinvention". From then on LR and all its Partners succeeded in creating a new way of working, integrating all the possibilities that digital technology offered us. This way we were able to continue our business and develop it by reaching new people who were unfamiliar with direct sales. In a way, the year 2020 was for this distribution model the year of the renaissance which makes it a reference for tomorrow in terms of distribution.

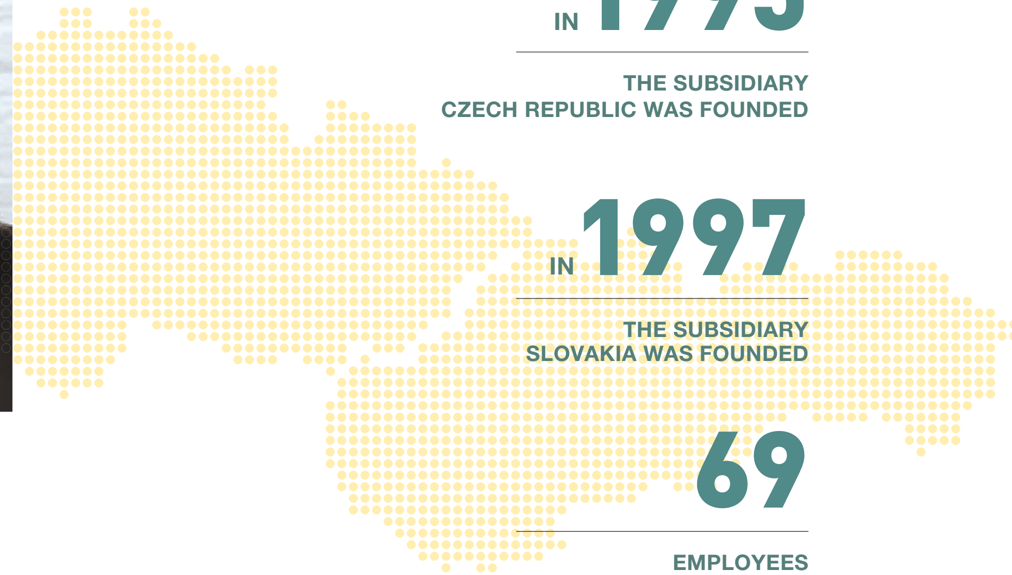
**CHARLES-EDOUARD TARDY**
COUNTRY MANAGER
LR FRANCE

IN **2010**
THIS SUBSIDIARY WAS FOUNDED

**31**
EMPLOYEES

## REGION 2: CZECH REPUBLIC AND SLOVAKIA

**MONIKA GOLOVÁ**
OPERATING MANAGER
LR CZECH REPUBLIC AND SLOVAKIA



IN **1995**
THE SUBSIDIARY CZECH REPUBLIC WAS FOUNDED

IN **1997**
THE SUBSIDIARY SLOVAKIA WAS FOUNDED

**69**
EMPLOYEES

**I like to be a part of LR because …**

… the job is varied, I can realise my potential and utilise the knowledge I've gained and show my long experience in logistics in practice. From the beginning I knew LR was about a sophisticated MLM concept, but I got to know the company better at the moment I took part in the selection procedure to fill the position I am currently in. I also appreciate the international extend of LR and the multiculturalism across all LR countries, which is great. I also like the friendly atmosphere when communicating across LR and our common interest to improve lives of our customers and households. I have found this out myself thanks to using our LR products. Today I can say that I have become a member of the LR family and the idea "More Quality for Your Life" has grown on me.

**The reputation of LR …**

… in Czech Republic and Slovakia is good but I feel that LR is not as known here as it would deserve. But we can attribute the success so far to the activities of our LR Partners and of course to our support as a company. Together with our LR Partners we make sure that the direct sale is presented correctly and in a positive way – our great products help us with that. Generally, the Czech Republic and Slovakia markets are primarily focused on food supplements. The LR Aloe Vera Drinking Gels Freedom and Peach are our top seller products, which our employees enjoy as well.

Our LR Partners praise these products, mainly thanks to the "Made in Germany" seal and thanks to the other important certificates.

**I would describe the year 2020 at LR …**

… in Czech Republic and Slovakia as a year full of challenges, beginning in February, when we started to deal with the corona pandemic, with a lot of uncertainties in spring. We encountered limitations in logistics between our two countries and in autumn, our warehouse working hours were limited because we had a few corona positive employees. But it was also a very successful year in terms of sale, which we made possible with sufficient supplies thanks to the headquarter in Germany. In the second half of the year, we were in for a large project of warehouse reorganization, which included modernization of processes by means of tablets and scanners in the shipping part. We managed to get through the pandemic year 2020 among other things thanks to the togetherness and excellent cooperation across the departments.

MORE INTERNATIONALITY

## REGION 3: RUSSIA AND KAZAKHSTAN

IN **2010**

THE SUBSIDIARY RUSSIA WAS FOUNDED

IN **2012**

THE SUBSIDIARY KAZAKHSTAN WAS FOUNDED

**102**

EMPLOYEES

**VLADIMIR KOLESNIKOV**
GENERAL MANAGER
LR RUSSIA AND KAZAKHSTAN

**I like to be a part of LR because …**

… this company combines international professional working teams with a supportive, open hearted and welcoming work culture. As a company with big ambitions we sell great products with the outrages support of our well experienced Partners. Together as a team we are always result-oriented. Besides our challenging goals and tight timelines we still have a lot of fun. Interacting with great people, I learn a lot from my colleagues and Partners every day. All in one it's a great journey.

**The reputation of LR …**

… in Russia and Kazakhstan among our Partners is solid. It is seen as a German company with high quality products and a lot of opportunities.

It is crucial that our Partners know that LR delivers what the company has promised. This reliability is really important in volatile situations people face in Russia and Kazakhstan.

For prospects LR is a bit of a mystery and I see a lot of potential in telling the story of LR. It's a pity that many people in my markets Russia and Kazakhstan still don't know about our great products and opportunities because LR fits people's needs. All people care about their health and are concerned about their income. And we have it all: great products with many success stories, strong Partner teams and opportunities to build an income with us.

**I would describe the year 2020 at LR …**

… in Russia and Kazakhstan as challenging and fantastic at the same time. We had to face the pandemic situation but despite of all challenges I'm proud of my hard working team. I consider my colleagues as dedicated professionals aimed at driving growth and responding to the needs of the Partners. We created a wining energy in the network when Partners 100% believed in LR opportunities and were focused on acting immediately. This is a strong predictor that our company growth will continue. We also experienced an increase in the demand of health products. The LR Aloe Vera Drinking Gel Peach, Pro Balance and Super Omega are our top seller products in Russia and Kazakhstan. Despite losing traditional ways of communication and the transition to online platforms, we have managed to drive our sales higher and up to plus 79% versus the year 2019 in Russia and Kazakhstan. I'm very proud to say that 2020 was a record year.

04

Stefanie Jaszka,
LR Employee & Teamleader Bioanalytics

# WE BELIEVE IN MORE PRODUCT QUALITY

LR HAS INNOVATIVE, HIGHLY EFFECTIVE HEALTH & BEAUTY PRODUCTS "MADE IN GERMANY" WHICH STRENGTHEN OUR CUSTOMERS' HEALTH AND ENHANCE THEIR WELL-BEING. THEY ARE PRODUCED ACCORDING TO THE LATEST SCIENTIFIC FINDINGS AND FROM THE BEST NATURAL INGREDIENTS. INDEPENDENT AND RENOWNED TESTING INSTITUTES REGULARLY CONFIRM THE QUALITY OF OUR PRODUCTS.

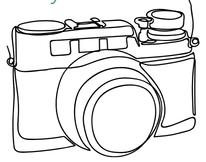
MORE PRODUCT QUALITY

# FROM FIELD TO GLASS

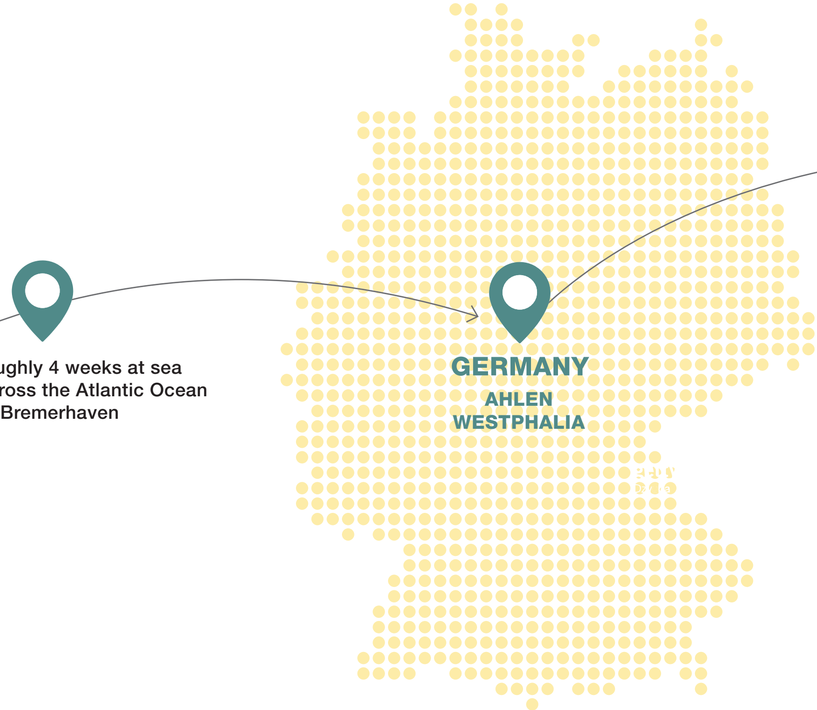
**TRACING THE PATH OF THE ALOE VERA DRINKING GELS. CAROLINE MAY, COPYWRITER, AND JULIA STEINMEYER, CREATIVE DESIGNER, EMBARKED ON A JOURNEY TO EXPLORE THE SIX PRODUCTION STEPS AND DESCRIBE THEIR ADVENTURE IN THIS PHOTO ESSAY.**

**THE START OF THE JOURNEY...**

*... it's just before 9 o'clock. We're standing in the main entrance of the aloe vera production site in Ahlen. The place exudes a contemporary vibe. A green aloe vera plant is standing in the middle of the room. The clock strikes 9. Dr. Dominik Jungen, Head of Quality, arrives to welcome us. Together, we look at the key production steps.*



Aloe vera plantations


## 1 ALOE VERA PLANTATIONS IN MEXICO

Our journey today starts in Ahlen, but the journey of the aloe vera leaf gel begins in Mexico – in the fields of Tamaulipas and Hidalgo, to be exact. LR is currently working with local producers who take care of the cultivation, harvest, processing, packaging and shipping. An army of almost 600 employees is involved. "Before shipping, the aloe vera leaf gel is subjected to strict checks to ensure that only high-quality goods are sent to Ahlen. In addition, the processing plant and the plantations in Mexico are regularly audited by the test laboratory INSTITUT SGS FRESENIUS.", explains Dr. Dominik Jungen.

Every year, roughly 24 million leaves – that is 12,000 tons – are harvested for LR for the production of dietary supplements and cosmetics.

After the harvest, the aloe vera leaves are filleted, so that only the pure leaf gel is shipped to Ahlen. The raw leaf gel arrives in Europe on a container ship. The journey from the plantations in Mexico to the warehouse in Ahlen takes about 6 weeks and covers almost 9,000 km as the crow flies.

**NIKOLAI MARTENS**
FOREMAN WAREHOUSE

Nikolai checks the external integrity of the IBC plastic container in the warehouse in which the aloe vera raw material was delivered.

## 2 ARRIVAL OF THE RAW MATERIAL AND THE PACKAGING

And here we are in the warehouse, surrounded by white IBC plastic containers filled with raw aloe vera.

Several thousand litres of aloe vera gel arrive in Ahlen every week.

Before we take a closer look, we go to the transfer area. Here, the products arrive by lorry. Nikolai Martens, Warehouse Foreman, is just unloading a delivery and checks whether everything is in order. Then, all goods are checked in detail by the Quality Control (QC) Team Inbound and the team from the QC Lab. Before we enter the lab, we take another look around the warehouse. We pass rows and rows of high-racks filled with various products for aloe vera production: from untested raw materials down to checked and sealed finished products. Everything has its place in the warehouse. We are now in the quarantine warehouse, where IBC containers with raw aloe vera wait to be tested. Nikolai is just examining the raw aloe vera using a checklist: one of the things he is looking out for is whether the seals are all still intact. Next, a sample of the raw aloe vera is sent to the laboratory for testing. The product remains in the quarantine warehouse until the results are out. In the laboratory, the raw aloe vera is once again carefully analysed and undergoes a microbiological examination. As soon as the raw material receives the all-clear from the laboratory, it is given a green label and stored closer to the production site. The raw material is thus released for processing.

Nikolai Martens is unloading packaging material

MORE PRODUCT QUALITY

LABORATORY

## 3 QUALITY CONTROL OF THE PACKAGING AND THE RAW MATERIAL

Before we go to the production site, we stop at the incoming goods control. Here, the QC Inbound Team and the lab staff check the packaging and the raw aloe vera. Aysel Karaarslan, QC Inbound, is currently in the process of selecting bottles at random as part of the lab analysis. In the next step, Aysel checks the bottles for certain parameters using a measuring device. Among other things, the device can determine whether the wall thickness and weight of the bottle match the specifications. Furthermore, a microbiological examination of the bottles is carried out in the laboratory. As soon as both departments give the go-ahead, the bottles can be used in production.

The aloe vera raw material is tested for sensory, chemical, physical and microbiological parameters.

In addition to the packaging materials, the raw aloe vera also undergoes lab checks. A small sample is taken from each IBC plastic container in the warehouse. Damla Ari, Trainee Chemical Laboratory Assistant, checks whether the aloe vera gel has the right sensory, chemical, physical and microbiological properties. Damla explains that, among other things, she measures the pH-value of the raw material. As soon as she greenlights it, the aloe vera can be used in production.

**AYSEL KARAARSLAN**
QK-INBOUND

Aysel Karaarslan checks with the measuring device, among other things the wall thickness of the packaging material.

Aysel and Damla Ari (Trainee Chemical Laboratory Assistant) select bottles for quality control.



ALOE VERA PRODUCTION

In this hall the Aloe Vera Drinking gels are mixed according to the recipe.

## 4 THE MIXING PROCESS

We return to the warehouse and take a look at the material lock. Here, we see the recently checked and approved raw materials and packaging, which are now ready for production. For info: At the production site, the air is filtered multiple times, and the air pressure is higher than in the material lock and the adjacent warehouse. This ensures that no air from the warehouse can enter the production area. "Assistants from the QC lab regularly examine the air quality and all surfaces as part of the hygiene monitoring concept.", explains Dr. Dominik Jungen.

A group of workers have just taken the raw materials from the material lock and begin the production process. Due to the current pandemic, we are not allowed to enter the production area and watch from the Skywalk instead. Today, they are mixing the Aloe Vera Drinking Gel Sivera, following a set recipe. First, all ingredients are weighed and sucked into the mixing tank via blue pipes. Depending on the recipe, the production takes between 2 and 4 hours. Then, the finished product is pumped into a storage tank, where it stays for between 24 and 72 hours before it is bottled.

In total, the mixer can manage 10 tons of product, meaning approx. 10,000 1-litre bottles can be filled from one batch.

After every batch, all tanks as well as the pipes are cleaned in a bespoke cleaning programme. This takes between 1.5 and 2 hours. Towards the end of the mixing process, Sakir Kuluz, Laboratory Assistant, extracts a bulk sample of the Aloe Vera Drinking Gel from the tank and fills it in several sterile beakers. These are then taken to the laboratory. Here, the density, smell and sugar content are determined. Once the sample is checked and approved, the finished Aloe Vera Drinking Gel is ready for bottling.

Sakir Kuluz, Laboratory Assistant takes several samples for quality control in the laboratory.

MORE PRODUCT QUALITY

Mathias Schulte, team leader bottling and Marcel Frantz, production engineer, prepare the labelling of the bottles.

## 5 THE BOTTLING PROCESS

We take a few more steps along the Skywalk and look down onto the adjoining production hall, where the Aloe Vera Drinking Gel Sivera is just being filled into 1-litre bottles. From this point onwards, all steps are performed by machines. Six bottles are filled simultaneously, the caps are screwed on and the labels are affixed automatically. Then, the bottles go through a metal detector and a checkweigher before they pass through a lock from the production hall into the warehouse and onto a distribution table.

Here, the bottles are packaged and readied for dispatch. But not all: nine bottles – three each from the beginning, middle and end of the batch – are removed and undergo another lab check by a member of the QC Team.

Thus, the entire batch, from start to finish of the bottling process, is checked to ensure all chemical, physical, microbiological and sensory requirements are met. The QC Inbound Team also performs another check to ensure the labels, batch number and BBD are all present and correct. The remaining bottles are boxed and stored in the high-rack warehouse until the lab tests are complete. Only when the Aloe Vera Drinking Gel has passed the final checks by Quality Control, the batch is ready for shipping.

Before the whole process can start in the morning, the entire production line undergoes a detailed check by one of our experts. Following a checklist, he or she verifies that the plant is clean, and all the settings are correct. Once a year, an external specialist comes to service the machines and facilities. Right from the start, the aloe vera production site received an FSSV 22000 certificate. An annual audit ensures the certificate is renewed every year. In addition, LR undergoes annual product audits by the IASC and SGS Institut Fresenius. Thus, thanks to the external audits, LR ensures that both the products and the processes remain at a top-quality level.



LABORATORY

## 6 FINAL CHECKS OF THE ALOE VERA DRINKING GEL IN THE LABORATORY

We are once again in the lab and watch as the nine filled Aloe Vera Drinking Gel bottles are analysed one final time following a set inspection plan. Stefanie Jaszka, Team Leader Bioanalytics, is just performing a microbiological analysis. She checks whether the finished product – in this case, the Aloe Vera Drinking Gel Sivera – is clean on a microbiological level. The finished product also undergoes regular external checks.

“Every month, SGS Institut Fresenius perform secret test buys of the Aloe Vera Drinking Gels or they order raw material samples from LR. They then test, for example, whether there are traces of pesticides, additives, heavy metals or aloins in the raw material.”, explains Dr. Dominik Jungen.

In addition, the nutritional value and the level of aloverose, one of the main ingredients of aloe vera and a quality indicator, are regularly determined. The higher the aloverose content in the aloe vera gel, the higher the quality of the product.

We have almost reached the end of our journey, but one important step remains: the final tasting of the Aloe Vera Drinking Gel Sivera. Stefanie fills a small beaker and drinks – and it is delicious! Now, we can be 100 % sure that our customers will receive a top-quality product.

Employee Stefanie Jaszka conducts the eximination for the determination of the intestinal bacterium Escherichia coli.

**STEFANIE JASZKA**
TEAMLEADER BIOANALYTICS
DEPARTMENT RESEARCH AND DEVELOPMENT

*Strict COVID-19 protection measures were observed while interviews and photos were obtained.

# WE BELIEVE IN A BRIGHT FUTURE

A GREAT FUTURE LIES AHEAD OF US. FOR MORE THAN 35 YEARS LR HAS SHOWN HOW SUCCESSFUL, STABLE AND FUTURE-ORIENTED THIS GLOBAL COMPANY IS. AND WE STILL BELIEVE IN MORE!

05

# LR AS AN ATTRACTIVE EMPLOYER

## MORE QUALITY FOR YOUR LIFE

Our motto drives us to produce quality health & beauty products and to successfully distribute them across the globe. This drive – of every single employee – is what ensures LR's further growth. We are currently expanding internationally, conquering new countries, developing innovative digital solutions and continuously launching cutting-edge products that meet the zeitgeist. In order to achieve our growth goals, we are also expanding our team in 2021 and are looking for committed new teammates with whom we can continue our successful journey.

We are currently facing exciting challenges at our Ahlen location, in particular in the context of our ambitious digitisation & ERP projects as well as the major project "Logistic 4.0".

## THE FUTURE IN SIGHT

Promoting young talents and providing them with the best possible support on their way to becoming future leaders is a key aspect for HR at LR Health & Beauty. Since the beginning of 2020, LR has been offering a special trainee programme for university graduates that provides great career opportunities in direct sales. As we are constantly developing our training opportunities, we will be adding the option of doing an integrated degree programme from 2021.

## WE CARE FOR OUR EMPLOYEES

Our corporate philosophy "More quality for your life" applies not only to Partners and customers, but equally to our employees at our headquarters. To be true to our word, we offer a range of benefits that make LR an attractive employer. We want each and every one of our employees to feel happy! A pleasant working environment, team spirit, solidarity and a healthy work-life balance are the pillars of our corporate culture.

| | |
|---|---|
| WORK-LIFE BALANCE (HOME OFFICE & FLEXITIME) | FREE FRUIT & WATER |
| CUT-PRICE MEALS AT OUR CANTINE | STAFF DISCOUNTS ON ALL LR PRODUCTS |
| CAR-LEASING CONCEPT FOR EMPLOYEES | FREE MIND MASTER & ALOE VERA DRINKS |
| FREE ICE CREAM FOR ALL | WORKPLACE HEALTH MANAGEMENT |

## POWERFUL PERFORMANCE IN TIMES OF CRISIS

Social distancing throughout the COVID-19 pandemic created new challenges for our daily work routines.

The LR Crisis Management Team acted quickly and responsibly and organised the necessary protective and safety measures – such as providing face masks and disinfectants, establishing social distancing rules in the production and shipping sectors, involving the company doctor as well as cooperating with the local health departments.

Individual solutions for mobile working were developed promptly. These take both operational issues and personal needs into account. Since team meetings became impossible during the lockdown phase, communication mainly took place virtually or via email. Thanks to the special commitment of all our staff, including the works council, regular operations and cooperation between colleagues and across departments went smoothly, even during the lockdown phase.

## PROFESSIONAL ONBOARDING

Thanks to professional onboarding, we offer every new employee the best possible start to their LR career. From day one. For a successful and effective job training, we have developed an innovative onboarding concept – including a mentoring programme.

**MARTINA GRIMBERG**
VICE PRESIDENT GLOBAL HR & ORGANISATIONAL DEVELOPMENT

"The right team and the right company culture make all the difference.

AT LR, we value, challenge and develop our employees and position ourselves as a fair employer with strong ethical principles by attracting talented and committed employees and offering them a diverse, innovative and healthy work environment.

We encourage our employees to take responsibility, promote equal opportunities, team spirit and career development.

> **We live the values set out in our company culture – our work environment is defined by mutual trust and respect.**

We advise and support our managers, carefully select new personnel, engage in personnel marketing and employer branding and facilitate training and further development. The wellbeing of our employees is important to us. In fact, it has top priority."

**WE BELIEVE IN A BRIGHT FUTURE**

# LR IS BANKING ON A NEW DIGITAL LEVEL FOR ITS SALES PARTNERS

## LR CONNECT
## THE APP FOR YOUR LR BUSINESS

Connect to the future! With the "LR Connect" app, LR has taken an important step towards digitisation. This easy new online application is an internationally adaptable app that is designed to give all Partners the opportunity to develop and expand their LR business. The app enables every sales structure to further develop the LR business and to share content with different career levels. In addition, the app can help with onboarding new Partners, with organising events and training courses, with training and further education and with communication and contact management within the user's own sales structure. With the integrated news function, users always get the latest company news, information about new projects etc. directly onto their smartphone. This way, users remain up-to-date and can react to campaigns that interest them. The LR Connect app is the ideal support for all sales partners: with just a few clicks, you can get all the information you need on LR and on how to boost your own LR business.

## LR REPORT CREATOR
## THE BUSINESS TOOL FOR LEADERS

Supporting sales partners with modern concepts and paving the way for a successful business for them – that's what LR is all about. To this end, the business tool "LR MyOffice" was implemented in May 2019. It gives sales partners a transparent overview of all the relevant business figures for their business and of the activities of their sales structure. The tool received a big update in 2020 with the new "Report Creator" functions.

Since 2020, the Report Creator has been available to all Leaders in a sales structure – both nationally and internationally – allowing them to easily create annual reports. With the help of the Reports function, individual recipients can be selected, who can then be contacted via an integrated mailing tool. These professionally created mailings optimise communication and simplify the exchange of information on business successes.

In addition, the Report Creator offers a clear overview of the entire downline. With the help of the tool, every manager can easily analyse complex business data, draw conclusions from it and take action accordingly, e.g. awarding honours, contacting individual teams and so on. The constantly growing range of functions offers other useful functions such as the grouping / clustering of various interest groups for optimised collaboration with the team, an individual view of the overall structure in order to take care of the sometimes complex structures more easily, and other convenient functions that improve the creation of mailings. The Report Creator is like a "living organism". It keeps on adapting, and we keep on expanding and optimising it to meet the constantly evolving needs.

06

# WE BELIEVE IN MORE RESPONSIBILITIES

## ESG-REPORT

FOR US, IT IS A MATTER OF COURSE TO TAKE SOCIAL RESPONSIBILITY IN THE HERE AND NOW AND TO ACTIVELY AND SUSTAINABLY OFFER SUPPORT.
IT IS TIME TO ACT, TO BECOME SUSTAINABLE – ECOLOGICALLY, SOCIALLY AND ECONOMICALLY.
LR – A SUSTAINABLE ENTERPRISE.

# ACTING IN AN ECOLOGICALLY SUSTAINABLE WAY

**FOR US, ACTING IN AN ECOLOGICALLY SUSTAINABLE WAY MEANS TO WORK IN "UNISON" WITH NATURE. THIS MEANS: WE OFFER NATURE TIME TO REGENERATE AND PRESERVE IT FOR FUTURE GENERATIONS.**

**4.7**

MILLION BOTTLES WITHOUT GREEN PLUG CAPS

**136**

TONS OF WASTE AVOIDED: 116 T IN ALOE VERA DRINKING GELS AND 20 T IN THE MIND MASTER PERFORMANCE DRINKS

> **"PLANS TO PROTECT AIR AND WATER, WILDERNESS AND WILDLIFE ARE IN FACT PLANS TO PROTECT MAN.**
>
> STEWART LEE UDALL

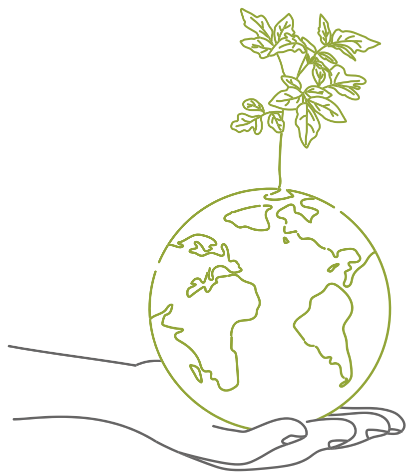
## A DIFFERENT KIND OF PAPER: 100 % FROM SUSTAINABLE FORESTRY

In addition to plastic packaging, paper and cardboard folding boxes are among the most used packaging components. Here, LR is making a great contribution to sustainability. Our partner: the global market leader FSC®, the Forest Stewardship Council®.

The FSC has set itself the goal of promoting ecologically adapted, socially beneficial and economically profitable management of the world's forests. The FSC checks and certifies every step – from the cultivation of forests to the processing and manufacture of the finished products, in this case the folding boxes for LR.

FSC
www.fsc.org
FSC® N003255


We embarked on this project in 2020. By the end of the year, we had already switched to roughly 32 % of FSC®-certified material. Our aim is to continue on this path over the next few years and to use FSC®-certified products where possible.



## A SMALL SACRIFICE 136 TONS OF PLASTIC SAVED

An example for the reduction in plastic consumption at LR is that we no longer use the green dosing caps in our top sellers. We introduced this measure at the end of 2019. In 2020, we were thus able to ensure that 136 tons of plastic were not produced and brought into circulation in the first place. This is an example for how a seemingly small sacrifice can have a huge impact. And that's just the start.


## SUSTAINABLE FISHING QUALITY SEAL "FRIEND OF THE SEA"

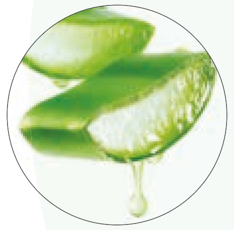
Much of the world's fish population is in danger due to overfishing. It is therefore all the more important to LR that any maritime raw materials in our products are obtained in a sustainable way. We ensure this by only using certified ingredients. For the fish oil used in the LR LIFETAKT Super Omega capsules, LR has chosen to use products with the "Friend of the Sea" quality seal, which is issued by the World Sustainability Organization. The organisation "Friend of the Sea" is a world leader in maritime affairs related to sustainability.

MORE RESPONSIBILITIES

From the processing of the raw material to the end product – at LR, every step is strictly monitored. This is confirmed by the IASC certificates.

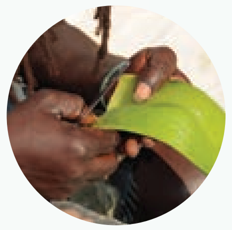
"Organic" certificates for the aloe vera plantations on the Mexican Plateau.

Special protection zones ensure that fertilisers and pesticides from neighbouring plantations do not contaminate the LR plantations.



Beneficial ingredients:
- Vitalising
- Cooling
- Detoxifying
- Calming

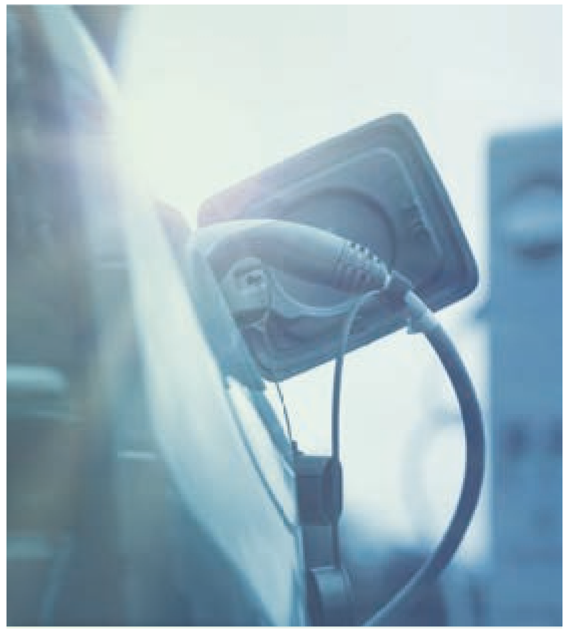
No pesticides or chemical fertilisers are used.



The harvest of the leaves is carried out by hand and in a sustainable way.

## ORGANIC ALOE VERA CULTIVATION

The aloe vera plants used in LR products are grown on plantations on the Mexican Plateau and are specially cultivated for LR. They are also certified organic. No pesticides or chemical fertilisers are used in the cultivation of the plants. Merely the aloe mulch that accumulates during processing serves as a natural fertiliser. This mulch forms when the inner leaf fillet is separated from the outer leaf. The harvest of the leaves is carried out by hand and in a sustainable way. Only the outermost leaves, which are at least three years old, are harvested. This protects the plant and ensures the best possible concentration of beneficial ingredients.



**28**

CHARGING STATIONS FOR E-MOBILITY

**52,000**

LITRES OF DIESEL AND THUS 300 LORRY TRIPS WERE AVOIDED

## "THE FUTURE IS ELECTRIC"

Last year, we invested in setting up a charging infrastructure for e-mobility: 28 charging stations were erected at the Ahlen site. These have been available to employees, sales partners and delivery companies since September 2020. 20 of these charging stations are located at the headquarters on Kruppstraße and eight at the aloe vera production facility on Porschestraße. With the introduction of the charging infrastructure and the associated expansion of the e-vehicle fleet, the direct sales company is taking another small step towards sustainable corporate management.

## GREEN ENERGY A CONTRIBUTION TO CLIMATE PROTECTION

Since the third quarter of 2020, we have been using "green energy" supplied to us by the municipal works Ahlen. By purchasing 1,600 MWh of green electricity from June 2020, $CO_2$ emissions of around 657 tons were avoided compared to the German average electricity mix in 2020. We are also examining the extent to which production can be made climate-neutral and whether there are other options for reducing our overall $CO_2$ emissions.

MADE IN GERMANY

## MADE IN AHLEN SHORT DISTANCES MINIMISE RESOURCE CONSUMPTION & CO2 EMISSION

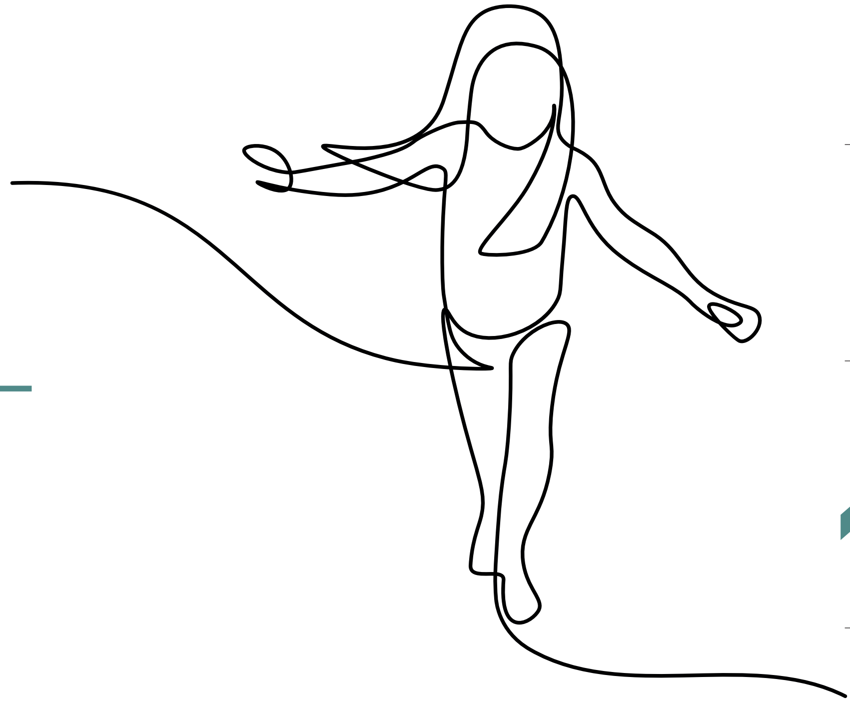
LR is one of Europe's largest producers of Aloe Vera Drinking Gels. An important aspect in the production of the entire range of products is: a constantly high quality standard. Which is why we thought it prudent to concentrate the Aloe Vera Drinking Gel production in Ahlen. With our cutting-edge aloe vera production plant, we not only set new standards across Europe – we also bolster our "Made in Ahlen" claim. This not only boosts the quality, it also has an effect on sustainability.

A distributed production of the Aloe Vera Drinking Gels can lead to excess stock and also causes unnecessary transport costs. Thanks to the in-house production at our headquarters in Ahlen – with highly efficient machines and the latest technology – we are not only saving on transport, but the entire production process has been ecologically streamlined. In 2020 alone, roughly 300 lorry trips and thus around 52,000 litres of diesel were saved.

MORE RESPONSIBILITIES

# ACTING IN A SOCIALLY SUSTAINABLE WAY

**FOR US, ACTING IN A SOCIALLY SUSTAINABLE WAY MEANS MAINTAINING A RESPECTFUL, FAIR AND EXEMPLARY WORK ENVIRONMENT THAT ENABLES EVERYONE TO DEVELOP INDIVIDUALLY AND FREELY. AT LR, WE PAY SPECIAL ATTENTION TO THE SMALLEST AND WEAKEST MEMBERS OF SOCIETY – CHILDREN.**



**17**
COUNTRIES

**17**
CHILDREN'S AID PROJECTS

**1247**
SUPPORT MEMBERS
Status as of February 2021

Andreas Friesch at the Lunch Club during a planting campaign in 2019

## LR GLOBAL KIDS FUND
## GIVING CHILDREN OPPORTUNITIES

The LR Global Kids Fund e.V. was founded in 2009. The charity is based on the collective commitment of the company, its employees, sales partners and customers and supports aid projects in countries in which LR is active. And that's what makes it so special: the LRGKF is a charity that was founded by LR employees and offers wholehearted support for children.

An unbureaucratic, transparent and sustainable support is what we aim for. In addition, LR collaborates with reliable aid organisations around the world, such as the RTL Foundation and SOS Children's Villages. All donations go in full to local projects, because LR covers any administrative costs. LR currently supports children and youths in the areas of health and education (e.g. tuition, children's restaurant, language training) in 19 children's aid projects in 17 countries. To this end, the LR Global Kids Fund e.V. also collaborates with renowned and reliable aid organisations. Locally, we work with the children's aid foundation "Stiftung RTL – wir helfen Kindern e. V.", while internationally, we support a number of children's aid projects by "SOS Children's Villages".

**"At LR, we take social responsibility. It is part of our company culture and goes with our brand promise MORE QUALITY FOR YOUR LIFE.**

**Our claim MORE QUALITY FOR YOUR LIFE not only applies to our products and our business model, but also to our social commitment.**

Andreas Friesch,
Chairman of the LR Global Kids Fund e.V.
and CEO of LR Health & Beauty

LR GLOBAL KIDS FUND
initiated by LR Health & Beauty

MORE RESPONSIBILITIES

## HEALTH OF OUR EMPLOYEES
## FIT FOR THE FUTURE

Health and beauty are not only found in LR's products but in our corporate philosophy, too. Since 2017, LR has offered its employees various services as part of its company health management programme, in order to make a sustainable contribution to maintaining the health of all employees. In addition to regular medical consultations on site, LR offers comprehensive check-ups for all employees at regular intervals.

The occupational health management (OHM) plan also includes a free annual flu jab. In addition, in consultation with the OHM team, professional prevention and fitness courses are offered to employees. Free fruit and water dispensers at all Ahlen sites complete the health management at LR. Employees can also boost their health while helping the climate: with the bike leasing scheme! The company bikes can be used to ride to and from work but also for private trips.

## FAMILY AND CAREER
## YOU CAN HAVE BOTH

At LR, every single employee counts. Therefore, we are always thrilled when mothers – or fathers – return to the company after their baby break, and we support this with various models. Different working models are also available to all other employees and can be arranged in consultation with their manager. For instance, we offer flexible working hours based on a flexitime corridor. In addition, employees may also choose to return as part-time workers. LR also offers mobile work.

## ONBOARDING
## EASY INTRODUCTION TO THE COMPANY

Taking new employees "on board" is important to us. To facilitate getting started at LR, LR has established a comprehensive onboarding programme in addition to an orientation plan. An essential part is the mentoring programme. In the first few months at LR, every new employee is accompanied by a personal mentor – a contact person who is ready to assist and guide the newcomer in all professional, personal and organisational matters. The mentoring programme helps to quickly integrate new employees at LR, both on a professional and social level. At the same time, they learn to network within the company right from the start. In addition, the employees take part in a starter seminar and a tour of the company.


Our trainees at LR: f.l.t.r. Bea Köster, Nicole Boger, Kubilay Dinc, Alina Isabelle Hofer, Jan-Hendrik van Lier and Claire Sophie Kürschner. Absent: Aiko Düselder, Marius Bentrup, Marie Charlott Müller.

## TRAINEE CONCEPT
## PROMOTING YOUNG PEOPLE HOLISTICALLY

Promoting and developing young talents and offering them a promising future is something LR strives for. In this context, LR is offering a comprehensive training programme, which, to date, covers a total of nine different professional fields. The training is not just about professional qualifications, but also boosts social and personal skills such as confidence, creativity and openness. Close collaboration with the respective manager and the HR department is a fundamental pillar of the training.

Our trainee programme for junior managers "of tomorrow" links theory and practice in a meaningful way, thereby enabling young people to successfully start their professional lives. Over the course of 24 months, the trainees receive comprehensive insights into the various areas of the company and are tasked with responsible jobs right from the start. Thus, they are well prepared for whichever area they decide to later work in. They are truly immersed into the various fields of work. As a global company, work at one of our 28 international locations is, of course, part of the trainee programme. This way, our trainees can experience the international nature of LR at first hand and help to shape it – it also allows them to further expand their social network.

# ACTING IN AN ECONOMICALLY SUSTAINABLE WAY

**FOR US, ACTING IN AN ECONOMICALLY SUSTAINABLE WAY MEANS FINDING AN ECONOMIC APPROACH THAT IS BASED ON FAIR DEALINGS WITH ALL PARTIES INVOLVED. IN ADDITION, WE ARE LOOKING TO BE ECONOMICALLY SUSTAINABLE IN THE LONG TERM TO ENSURE A BRIGHT FUTURE.**

## COMPLIANCE
## EFFECTIVE RISK MANAGEMENT

Primary aim of the Compliance Management Policy at LR is preventing and clearing up any violations of legal, regulatory, contractual and other requirements, including internal company policies and guidelines. For a better understanding of the compliance aims, we have issued a code of conduct, which regulates important areas such as equal treatment, fair competition, anti-corruption, acceptance of gifts and environmental protection.

The Compliance Committee – made up of Internal Audit, Global Finance, Legal, HR and Compliance – meets regularly several times a year to coordinate and to report. Here, difficult compliance cases, legal news and reports from other LR countries are discussed, as are opportunities for improvement. This is particularly important due to LR's geographical expansion, the ongoing renewal of the product portfolio and the rapidly changing external factors, e.g. due to new legislation.

## DIVERSITY
## EQUAL TREATMENT, TOLERANCE & EQUAL OPPORTUNITIES

As a social organisation, LR – like society as a whole – is a cooperation of independently acting individuals with different needs. But everyone also contributes knowledge, creativity and their own view of things. We see this diversity as an asset for our company. For us, appreciating our employees is a matter of course. We accept the uniqueness of each individual, irrespective of sex, faith, age, sexual orientation or skin colour. We appreciate one another to learn from one another and to respect the other's personality. Different ways of thinking enable new perspectives. This way, new and creative ideas emerge that lead us on new paths for a better tomorrow. Variety and diversity foster huge innovative potential, both in our employees and in our partners, for an open, tolerant, creative and productive way of working and thinking.

## CODE OF CONDUCT
## RESPECT & FAIRNESS THROUGHOUT THE COMPANY

LR is a company with integrity and stands for fair, respectful behaviour towards employees and business partners as well as a high level of reliability in all business dealings. Our code of conduct is a key factor for our long-term success: every manager and every employee is obliged to treat one another, the company and business partners with respect, openness and honesty.

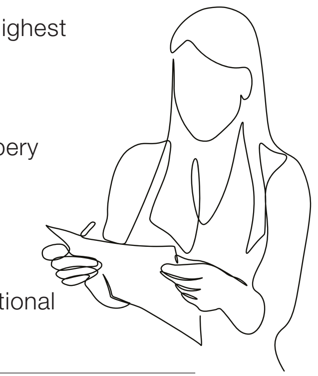
**Important pillars of this mutually accepted code are...**

**...towards our employees:**

- Fair and respectful conduct
- Fair payment and promotion of skills
- Equal treatment on all levels, irrespective of sex, religion, age, sexual orientation or skin colour
- Mutual openness and confidentiality with regard to all information

**...towards our business partners:**

- Customer orientation and highest product quality
- Integrity and loyalty
- Rejection of all kinds of bribery and corruption
- Protection of personal and business data
- Compliance with all international requirements and laws




# MANAGEMENT REPORT

07

# LR GLOBAL HOLDING GMBH AHLEN / GERMANY

## COMBINED MANAGEMENT REPORT FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020

The LR Health & Beauty Group (hereinafter referred to as LR Group) is an internationally operating enterprise with a primary focus on cosmetics and dietary supplements. LR Group is represented with 32 subsidiaries worldwide. The Group's production site supplying all subsidiaries is in Ahlen (Germany). Research and development is also implemented exclusively in Germany.

LR Group markets its products through direct sales in accordance with a commission plan for the European and Asian market. The product range comprises dietary supplements, perfumes, cosmetics, cosmetic devices and accessories. The Company's business is primarily determined by private consumption and the pertinent cosmetics and food laws.

The obligation to prepare a consolidated financial statement for LR Global Holding GmbH as parent company arose only with the acquisition of the LR Group at the closing date on 7 March 2013.

The consolidated financial statement was prepared by the management on 16 April 2021 and subsequently submitted to the shareholders' meeting for approval.

The top-level controlling parent company is Aloco Holding S.à r.l., with registered office in Luxembourg, Luxembourg.

### A. BUSINESS DEVELOPMENT AND ECONOMIC SITUATION

**Overall economy / sector development**
The global economic development in 2020 took a negative turn mainly caused by the COVID-19 pandemic. In many countries, social and economic life was restricted, in some cases by multiple so-called "lockdowns". The spread of the virus was combated with company closures, contact limitations and exit restrictions. These restrictions also had a massive impact on the economic performance of many countries. According to the estimates of the International Monetary Fund (IMF), global economic output has been reduced by 3.5%, compared with growth of 2.8% in 2019.

In the euro zone, currently the most important market for the LR Group, the negative economic effects of the corona pandemic are even more significant than the global average and as a result, the economic development is even worse. According to IMF estimates, the real GDP deteriorated by 7.2% in 2020, compared with slight growth of 1.3% in the previous year.

Developments in other markets that are important for the LR Group are very different. For Russia, the IMF estimates a decrease of the economy of 3.6% in 2020 after a moderate growth of 1.3% in the previous year. In Turkey, the IMF estimates, in contrast to most other countries, a positive economic development of 1.2% for 2020, while in the previous year a weak growth of 0.9% was achieved. According to the IMF, the economic slowdown of -1.1% in Korea, an important future market for the LR Group, is significantly lower than the global average or the development in the euro area. In the previous year the Korean economic grew moderately by 2.0%.

According to the World Federation of Direct Selling Association (WFDSA), the network marketing industry had to record a decline in sales worldwide in 2019. Adjusted by an extreme decrease in the Chinese market, the development in 2019 can be considered as stable or slightly growing. According to our estimates, the development in 2020 and also the further development in 2021 depends on the success of the digitalisation of the industry due to the limited personal contact possibilities in many countries as a result of the corona pandemic.

**Production**
The production facility for Aloe Vera Drinking Gels, set up jointly with the Theodor F. Leifeld Foundation, has been producing and bottling the majority of dietary supplement products in Ahlen since 2018. With this step, LR Group is consistently implementing its strategic commitment to the quality promise "Made in Germany". In addition, the Company is further strengthening the profitability of this important product category. Most of the cosmetics and care products are also produced at the Ahlen site. Contracts have been concluded with several suppliers for this purpose. Decorative cosmetics and cosmetic devices are purchased as merchandise in Europe, accessories in South-east Asia. The production and the dispatch line are designed for multi-shift operation. Staff shortages are covered by temporary workers.

**Research and Development**
In its laboratories, LR Group develops products for safeguarding and further expanding its market position, mainly in the field of cosmetics and dietary supplements. In addition to the application-oriented research and product development, the focus is on contacting and negotiating with approval and monitoring authorities which have a significant influence on the launch of new products. In 2020, the focus was also on the development of digital solutions to support the sales partners.

Research and development expenditure in the financial year amounted to kEUR 2,203 (PY: kEUR 2,143). Furthermore, own development costs for self-developed intangible assets in the amount of kEUR 796 (PY: kEUR 489) were capitalised. Amortisation of capitalised development costs amounted to kEUR 538 in the 2020 financial year (PY: kEUR 653).

**Headcount**
During the 2020 financial year, the Group employed an average headcount of 1,213 (PY: 1,136), of which 716 can be allocated to the German subsidiaries (PY: 672). In 2020, an average of 14 apprentices were employed in the vocational fields of warehouse logistics

specialist, management assistant for marketing communications, digital and print media designer, laboratory chemist, IT specialist in system integration, industrial clerk, IT specialist in application development as well as mechatronics engineers. In general, permanent employment after successful completion of the apprenticeship is envisaged.

Furthermore a trainee program for university graduates started in 2020. 8 trainees in the divisions Global Finance, Global Project Management, Logistics, Marketing, Sales Management und SCM International were employed. In addition, the LR Group introduced a dual study program in the past fiscal year, which will start with the first participants in 2021.

## B. POSITION OF THE GROUP

The entire net assets, financial position and results of operations of LR Group can be illustrated through use of the international financial reporting standards (IFRS).

**Assets and financial position**

On the asset side, on the reporting date 31 December 2020, 67.0% (PY: 71.3%) of the balance sheet total of kEUR 226,720 (PY: kEUR 211,821 were non-current assets, thereof 9.3% (PY: 9.9%) property, plant and equipment, right of use assets 12.2% (PY: 12.2%) and 77.0% (PY: 76.0%) intangible assets. The latter constitute goodwill which has been capitalised as part of the acquisition of the LR Group on 7 March 2013 as well as the value of the implementation of the IFRS 16 from existing leases.

Inventories were slightly above previous year at kEUR 23,241 (PY: kEUR 23,051). This is attributable to the higher turnover and the expansion of the product range in January 2021. The increase of the trade receivables to kEUR 11,609 (PY: kEUR 7,429) is caused by the sales growth, the other assets of kEUR 7,635 were slightly above the previous year (kEUR 7,401).

Capital is allocated centrally via LR Global Holding GmbH, which provides the Group companies with liquidity and manages the issuing of guarantees and letters of comfort for Group companies. The Group is largely a single financial entity.

Cash and cash equivalents amounted to kEUR 32,179 (PY: kEUR 22,800). Due to the inclusion of shareholder loans in the amount of kEUR 186,226 (PY: kEUR 185,561) for all of which a letter of subordination was issued, the “economic equity” amounts to kEUR 65,725 (PY: kEUR 50,396). The economic equity takes into account that the received sums are subordinated and therefore to be considered as equity in economic terms. The determined “economic equity ratio” thus amounts to 29.1% (PY: 23.8%) of the balance sheet total of kEUR 226,722.

Trade payables in the amount of kEUR 27,460 are quite stable compared with the previous year (kEUR 27,268).

In the 2020 financial year, the operative cash flow amounted to kEUR 34,471 (PY: kEUR 14,439). The cash flow from investing activities amounts to kEUR -5,870 (PY: kEUR -2,738). The cash flow from financing activities amounts to kEUR -19,102 (PY: kEUR -6,245), it includes a voluntary repayment of bank liabilities in the amount of kEUR 10,000 (PY: kEUR 0).

**Profit situation**

The growth course already started in 2019 continued with a significant increase in the fiscal year 2020. The revenue from sold goods amounted to kEUR 284,877 and other revenue to kEUR 11,563 in the financial year 2020. As a result LR Group’s revenue before sales deduction amounted to kEUR 296,440 (PY: kEUR 234,457) and after sales deduction to kEUR 281,227 (PY: kEUR 223,314).

Compared to the previous year, other operating income increased from kEUR 7,337 to kEUR 8,374 in the 2020 financial year, which is attributable to lower income from currency translation. Material costs, as a percentage of overall performance[1], amount to 18.1% (PY: 19.3%) and are subject to periodic fluctuations caused by seasonality and sales activities during the year.

Personnel expenses increased to kEUR 51,986 (PY: kEUR 46,337) due to transformation processes and expansion in individual markets, as well as general wage and salary development. Nevertheless the ratio to the overall performance was reduced from 20.5% to 18.4% due to the strong sales growth.

Other operating expenses of the Group totalling kEUR 150,597 (PY: kEUR 124,731) are mainly composed of granted bonuses and licence fees as well as marketing, consulting and administration costs.

The financial result was affected by interest payable towards loans. The negative interest result just slightly increased from kEUR 4,591 to kEUR 4,782.

Also the depreciation just slightly increased in the financial year 2020 from kEUR 11,639 to kEUR 12,422.

The EBITDA[2] increased compared to the previous year from kEUR 18,516 (normalised kEUR 24,140) to kEUR 36,704 (normalized kEUR 42,489). The corporate income amounts to kEUR 14,757 (PY: kEUR 901). The main factor for the significant improvement of the consolidated result was the highly increased revenue, while the cost/income ratio remained roughly constant.

For an explanation of change in cash and cash equivalents as well as the underlying movements of funds, please refer to the statement of cash flows.

**Financing activities**

In 2013, a loan agreement of EUR 145 million was entered into with a bank syndicate in the framework of the change of shareholders. Until October 2018 repayments were made as agreed. In October 2018, the contract was amended in material respects (term, interest, repayment, allocation of facilities). The amended loan agreement stipulates, among other things, that no repayment is required until 30 December 2021. Irrespective of this, a voluntary prepayment of EUR 10 million was made as of 30 December 2020. The interest rate based on the agreement of October 2018 is 2.75% p.a. with 0.75% retained and 2.0% paid quarterly.

As of 31 December 2020, the undrawn committed borrowing facilities of the Group, for which all necessary conditions for use have already been satisfied, amounted to kEUR 729 (PY: kEUR 929).

[1] Overall performance comprises revenues and change in inventories.
[2] Earnings before interest, taxes depreciation and amortisaton.

## C. IMPORTANT FINANCIAL PERFORMANCE INDICATORS

In order to analyse the course of business and the group's position, the EBITDA and turnover are used as financial performance indicators for management purposes and are compared with the previous forecasts for the reporting period. In addition, LR Group uses normalised EBITDA as a performance indicator to assess the profitability of its operating business. The aim of this key figure is to calculate EBITDA adjusted for one-off, non-recurring and unusual operating expenses and income and, if necessary, adjusted on a pro forma basis.

## D. IMPORTANT NON-FINANCIAL PERFORMANCE INDICATORS

Apart from financial indicators, LR Group's company value is also determined by non-financial indicators, concerning the relation of the company vs. partners and employees as well as the product strategy. LR Group is aware that this goal can only be achieved if it is able to bind competent and committed employees in the long term as an attractive and responsible employer, develops products and solutions which meet the customers' requirements in the future. The company attaches major importance to sustainable increase the partner value through product and service offers.

## E. REPORT ON RISKS AND OPPORTUNITIES

**Risk management**

The internal control system (ICS) for the accounting process consists of the following subareas: The Group's internal rules on the preparation of financial statements and accounting (e.g. guidelines, circulars) are made available promptly to all employees involved. The consolidated financial statements are prepared in a uniform Group-wide reporting system. Reconciliation processes for Group-internal business transactions serve to prepare the corresponding consolidation steps. Central contact persons of LR Group are also in continuous contact with the local subsidiaries in order to ensure IFRS-compliant accounting and compliance with reporting deadlines and obligations.

Information from the Group is gathered in Corporate controlling / Group controlling and is systematically and regularly evaluated via KPIs and reported to the management. Turnovers are reported per country and region on a daily basis. Turnover and earnings forecasts are prepared regularly. Information on partner productivity (assessed by the number of orders and order value per partner), number of active partners as well as on product quality (assessed by the number of returns, value, article and reason for return) are analysed on an ongoing basis. A comprehensive reporting package including statement of profit or loss, balance sheet, cash flow, turnover development by countries and product groups with deviation analyses regarding plan and previous year as well as company-relevant KPIs at group level is also prepared for the management, the advisory board and for the banks on monthly basis.

In addition, the LR Group systematically records and assesses risks through the compliance department and the involvement of the operational managers within the context of the risk management system. It serves to identify, assess and control internal and external risks at an early stage. The focus of risk identification is the risk inventory, which determines the main risks on an annual basis.

The course of business and the opportunities and risks arising from current business are discussed in the meetings of the Company Management and the Advisory Board. In principle, uniform guidelines apply to all business divisions, which are defined by the management of LR Group and monitored by a central compliance system with the involvement of regional compliance delegates.

**Market risks**

LR Group operates in a market characterised by a constant change in customer needs and the entry of potential competitors. In order to meet the needs of customers and to differentiate from potential competitors, new products and services are continually developed and existing products and services improved. Further business development and the success of the business model are based on private demand and the competitiveness of the overall offer (product and business opportunities) on the market. The driver for future growth and thus business success is the number of new partners, improvement of reselling rates as well as country and language-oriented optimisation of offers. The proactive steering of the outlined success factors guarantees a positive development of the sales partners and thus reduces the main risks for our business model.

The current economic situation due to COVID-19 is closely pursued in its development by LR Group. In order to optimally handle the current situation and immediately respond to changing conditions, the management has developed a gradual emergency plan and prepared a COVID-19 crisis team. As social selling company LR Group is likewise potentially hit by current measures of the governments; however, the turnover development in 2020 continues to be very positive. This especially concerns the demand for immune products. Even though the experience with the COVID-19 pandemic so far shows that the LR Group has a very stable business model for such a situation, a future negative impact on the further development cannot be ruled out. The focus of the management is on setting sales impulses in the health segment and ensuring supply of products and supply chain.

Moreover, the political and economic developments are constantly monitored by the management in order to be able to actively respond to deterioration in framework conditions.

**Operative risks**

Continuous control in line with the latest quality and safety regulations ensure top-quality and premium products. In addition to quality assurance of the existing product range, new and refined products are developed here as well. Considerable emphasis is placed on compliance with quality standards of the cosmetics and food regulation to reduce the product risk.

Payment default risks are reduced by the type of payment methods offered as well as by using credit ratings from external service providers. In addition, accounts receivable are continuously monitored in the operational business.

Further operative risks that might significantly influence the Company are currently not known.

**Financial market risks**

Foreign currency risks exist with suppliers who deliver on US$ basis. Currency hedging takes place in individual cases, but was not carried out in the reporting period. Essential risks of price changes or default are not known. Foreign currency risks for deliveries to non-European countries are not minimised through financial measures but through shaping the economic conditions (i.e. "natural hedging").

In addition, there are exchange rate risks for the LR Group due to business activities and net investments in subsidiaries from non-euro countries.

The liquidity risk is regularly monitored on the basis of planning calculations. A syndicated credit line and adequate liquidity provisions provide a sufficient risk buffer for unplanned payments.

**Legal risks**
In the course of our business activities, risks with an average probability of occurrence and moderate effects on our earnings and financial position may arise from legal disputes, mainly with respect to competition, patent, tax or contract law or product liability. These risks are actively addressed through internal guidelines and professional legal advice, and attempts are made to mitigate them in advance. Strict compliance with the statutory stipulations in the dietary supplements field, especially after the entry into force of the Health Claim regulation on 1 July 2007, are crucial for reducing risks.

Overall, the analysis of the present risk situation has revealed that there are no risks jeopardizing the continuance of the Group.

**Opportunities**
On the one hand, many of the risks described are offset by corresponding opportunities in the event of a positive development; on the other hand, certain risks are taken in order to exploit potential opportunities. This correlation with the main Group risks creates further opportunities for LR Group.

Direct sales as a sales channel is becoming more attractive worldwide, thereby opening up future opportunities for the Company. In this environment, LR Group is reinforcing its positioning as a social selling platform. In addition to the channel-specific advantages, LR also has opportunities on the product level as general trends such since anti-aging, self-medication, etc. influence the growth of the categories.

The increased focus on social selling activities, a differentiated, country-specific market cultivation, the current development of new premium range concepts as well as sound training in the LR Academy, combined with a comprehensive car plan and international celebrities as cooperation partners form the basis of a positive future development. A major focus in the past fiscal year and also in the coming years is the further expansion of digital offerings and services – a field that offers considerable opportunities for LR Group. The sales concept has also been developed further in the previous year to contribute to the partners' success by means of a differentiated market cultivation.

**F. Outlook**
The further course of the corona pandemic will be a main factor for developments in 2021. While multiple vaccine approvals and the launch of vaccination in some countries in December 2020 and the beginning of 2021 have raised hopes of an eventual end to the COVID-19 pandemic, new variants of the virus, renewed lockdowns and logistical challenges with vaccine distribution are important risks for economic recovery.

The IMF's current forecasts (as of January 2021) predict a strong improvement in 2021 and 2022 for almost all markets following a negative development in 2020. For the global economy, the IMF forecasts a significant recovery of 5.5% in 2021, which would even lead to an improvement on the pre-crisis level (estimated economic development according to IMF 2020: -3.5%).

Also in euro zone, the IMF forecasts predict a significant recovery in economic output of 4.2% in 2021, although in contrast to the global economy as a whole, the pre-crisis level would not yet be reached again due to the significantly stronger slowdown in 2020 (estimated economic development according to the IMF: -7.2%).

The forecasts for other important markets of the LR Group are very different. Similar to the euro zone, the IMF forecasts a recovery of the economy in Russia (+3.0%), which would not yet reach the pre-crisis level (estimated development in 2020: -3.6%). For Turkey, contrary to the negative global trend caused by COVID-19 pandemic, recording a positive economic growth of 1.2%, the IMF forecasts strong economic growth of 6.0% in 2021, which is significantly better overall than in the euro zone or Russia. According to the IMF, the economic slowdown in Korea was already lower at 1.1% in 2020 and could significantly exceed the pre-crisis level with an economic growth of 3.1%.

This means that a very dynamic development can be expected in all markets relevant for the LR Group. The combination of strategic further development of the sales model, new products and strategic projects, especially in the area of digitalization, has been very successful in 2020 despite the challenging framework conditions and is to be continued in 2021.

In addition to significant technical innovations in the online sector and the further development of the sales remuneration system, LR Group is focusing on the development of sustainable story-telling solutions in order to differentiate itself from the online and retail sectors.

The slight increase in turnover and earnings forecast for the financial year 2020 was significantly exceeded. For the financial year 2021, EBITDA is expected to be at the level of the financial year 2020 with a slight increase in turnover. This is mainly due to the successful implementation of strategic initiatives to strengthen business development as well as existing high quality product innovations, the continuity of partnerships, the competitive marketing plan in connection with the attractive car plan and celebrity portfolio and also the planned expansion into the Asian markets.

Ahlen, 16 April 2021

**LR Global Holding GmbH**
**- Company Management -**

Andreas Friesch (CEO) Dr. Andreas Laabs (CFO/COO)

# CONSOLIDATED FINANCIAL STATEMENTS

08

## CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2020

| kEUR | Note | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 11. | 116,940 | 115,618 |
| Property, plant and equipment | 10. | 14,074 | 14,969 |
| Financial assets | 13.1 | 4 | 127 |
| Right-of-use assets | 22. | 18,571 | 18,478 |
| Deferred taxes | 9. | 2,247 | 1,788 |
| | | **151,835** | **150,980** |
| **Current assets** | | | |
| Inventories | 14. | 23,241 | 23,051 |
| Trade receivables | 15. | 11,609 | 7,429 |
| Income tax receivables | 16. | 223 | 159 |
| Other assets and prepaid expenses | 16. | 7,635 | 7,401 |
| Cash and cash equivalents | 17. | 32,179 | 22,800 |
| | | **74,887** | **60,841** |
| **TOTAL ASSETS** | | **226,722** | **211,821** |

| kEUR | Note | Dec. 31, 20200 | Dec. 31, 2019 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Subscribed capital | | 25 | 25 |
| Capital reserve | | 1,790 | 1,790 |
| Currency translation reserve | | -5,576 | -5,482 |
| Accumulated loss | | -116,729 | -131,490 |
| **Total equity attributable to shareholders** | | **-120,490** | **-135,157** |
| Non-controlling interests | | -11 | -7 |
| **Total equity** | **18.** | **-120,501** | **-135,165** |
| **Non-current liabilities** | | | |
| Other provisions | 19. | 716 | 658 |
| Deferred taxes | 9. | 2,893 | 2,813 |
| Liabilities to financial institutions | 13.2 | 0 | 93,058 |
| Liabilities to shareholders | 21. | 186,226 | 185,561 |
| Other liabilities | 20./22. | 16,355 | 16,440 |
| | | **206,189** | **298,531** |
| **Current liabilities** | | | |
| Trade payables | 20. | 27,460 | 27,268 |
| Other liabilities | 20./22. | 17,258 | 16,044 |
| Liabilities to financial institutions | 13.2 | 84,800 | 0 |
| Income tax liabilities | 20. | 4,704 | 929 |
| Provisions | 19. | 6,811 | 4,214 |
| | | **141,034** | **48,455** |
| **TOTAL EQUITY AND LIABILITIES** | | **226,722** | **211,821** |

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE 2020 FINANCIAL YEAR

| kEUR | Note | 2020 | 2019 |
|---|---|---|---|
| Revenue | 4. | 281,227 | 223,314 |
| Changes in finished goods and work in progress | | 823 | 2,525 |
| Other operating income | 8.1 | 8,374 | 7,337 |
| Cost of materials | 5. | -51,137 | -43,592 |
| a) Raw materials and supplies | | -42,380 | -35,359 |
| b) Cost of purchased services | | -8,757 | -8,233 |
| Personnel expenses | 8.2 | -51,986 | -46,337 |
| a) Wages and salaries | | -44,439 | -39,513 |
| b) Contributions for social security and pension schemes | | -7,547 | -6,825 |
| Other operating expenses | 8.4 | -150,598 | -124,731 |
| **EBITDA** | **8.5** | **36,704** | **18,516** |
| Amortization, depreciation and impairment | 8.6 | -12,422 | -11,639 |
| Interest income | 8.7 | 96 | 46 |
| Interest expenses | 8.8 | -4,878 | -4,637 |
| **Profit or loss before tax** | | **19,501** | **2,286** |
| Income taxes | 9. | -4,743 | -1,385 |
| **PROFIT OR LOSS FOR THE PERIOD** | | **14,757** | **901** |
| thereof attributable to: | | | |
| Non-controlling interests | | -4 | -1 |
| Shareholders | | 14,761 | 903 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 2020 FINANCIAL YEAR

| kEUR | 2020 | 2019 |
|---|---|---|
| **Profit or loss for the period** | **14,757** | **901** |
| Components of other comprehensive income which will be reclassified to profit or loss after tax in subsequent periods | -93 | 125 |
| Currency translation differences | -93 | 125 |
| Components of other comprehensive income which will not be reclassified to profit or loss after tax | 0 | 0 |
| **TOTAL COMPREHENSIVE INCOME** | **14,664** | **1,026** |
| thereof attributable to: | | |
| Non-controlling interests | -4 | -2 |
| Shareholders | 14,668 | 1,028 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR 2020

| kEUR | Subscribed capital | Capital reserve | Accumulated loss | Currency translation reserve | Equity before non-controlling interests | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| **Jan. 1, 2019** | **25** | **1,790** | **-132,392** | **-5,608** | **-136,184** | **-6** | **-136,190** |
| Currency translation differences | 0 | 0 | 0 | 125 | 125 | 0 | 125 |
| Profit or loss for the period | 0 | 0 | 901 | 0 | 901 | -1 | 900 |
| **Dec. 31, 2019 / Jan. 1, 2020** | **25** | **1,790** | **-131,491** | **-5,483** | **-135,158** | **-7** | **-135,165** |
| Currency translation differences | 0 | 0 | 0 | -93 | -93 | 0 | -93 |
| Profit or loss for the period | 0 | 0 | 14,761 | 0 | 14,761 | -4 | 14,757 |
| **Dec. 31, 2020** | **25** | **1,790** | **-116,730** | **-5,576** | **-120,490** | **-11** | **-120,501** |

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 2020 FINANCIAL YEAR

| kEUR | 2020 | 2019 |
|---|---|---|
| **1. Cash flow from operating activities** | | |
| Profit or loss for the period (including results of minorities) | 14,757 | 901 |
| Amortization, depreciation and impairment (+) of fixed assets | 12,422 | 11,640 |
| Increase (+)/reduction (-) in provisions | 2.655 | 598 |
| Other non-cash expenses(+)/income (-) | 657 | -1 |
| Increase (-)/reduction (+) in inventories, trade receivables and other assets which are not related to investing or financing activities | -5,261 | -3,516 |
| Increase (+)/reduction (-) in trade payables and other liabilities which are not related to investing or financing activities | 1,127 | 3,196 |
| Interest expenses (+)/interest income (-) | 4,782 | 3,288 |
| Income tax expenses (+)/income (-) | 4,624 | 550 |
| Income taxes paid (-) | -1,292 | -2,217 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | **34,471** | **14,439** |
| **2. Cash flow from investing activities** | | |
| Payments from (+) the disposal of property, plant and equipment | 28 | 22 |
| Payments for (-) investments in property, plant and equipment | -1,148 | -793 |
| Payments from (+) the disposal of intangible assets | 4 | 2 |
| Payments for (-) investments in intangible assets | -4,877 | -1,966 |
| Payments from (+) the disposal of financial assets | 123 | 0 |
| Payments for (-) investments in financial assets | 0 | -4 |
| Net payments (-) for additions to the basis of consolidation | -4 | 0 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | **-5,874** | **-2,739** |
| **3. Cash flow from financing activities** | | |
| Payments (-) for interest | -1,244 | -809 |
| Payments for (-) repayment of (finance) loans | -10,000 | 0 |
| Repayment (-) of lease liabilities | -7,858 | -5,436 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | **-19,102** | **-6,245** |
| **4. Cash and cash equivalents at the end of period** | | |
| Net increase in cash and cash equivalents (subtotal 1- 3) | 9,495 | 5,455 |
| Changes in cash and cash equivalents due to exchange rates | -116 | 107 |
| Cash and cash equivalents at the beginning of period | 22,800 | 17,238 |
| **CASH AND CASH EQUIVALENTS AT THE END OF PERIOD** | **32,179** | **22,800** |

# LR GLOBAL HOLDING GMBH, AHLEN/GERMANY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2020 FINANCIAL YEAR

### 1. INFORMATION ON THE GROUP

The consolidated financial statements of LR Global Holding GmbH, Ahlen, and its subsidiaries (hereinafter jointly referred to as "the Group") for the year ended December 31, 2020 were authorized for issue in accordance with a resolution by the Company's management on April 16, 2021. LR Global Holding GmbH (hereinafter referred to as "LR Global") is a company with limited liability incorporated in Germany, domiciled in Ahlen, Germany, and registered in the Münster Commercial Register under HRB 14367. The Company has its registered office in Kruppstrasse 55, 59227 Ahlen, Germany.

The Group is an internationally operating enterprise with a primary focus on cosmetics and dietary supplements. LR Global is represented with 32 subsidiaries worldwide. The Group's production site is located in Ahlen (Germany). All subsidiaries are supplied from Ahlen. Research and development is also implemented exclusively in Germany.

The Group markets its products through direct sales with marketing plans focused on the European and Asian markets. The product range comprises dietary supplements, perfumes, cosmetics and accessories. The Group's business is primarily determined by private consumption and the pertinent cosmetics and food laws.

The Group's financial year starts on January 1, and ends on December 31.

On April 16, 2021 the consolidated financial statements were prepared by the management and subsequently submitted to the shareholders' meeting for approval.

The ultimate controlling parent company is Aloco Holding S.à r.L., with registered office in Luxembourg, Luxembourg.

To improve clarity of presentation, different items of the consolidated balance sheet as well as of the consolidated statement of profit or loss have been combined. These items are reported separately and explained in the notes to the consolidated financial statements. The consolidated statement of profit or loss was prepared using the nature of expense method.

Even though the Group is over-indebted in accountancy terms, the Group assets were assessed according to the going-concern principle, i.e. with the assumption of continuation of the Company.



### 2. ACCOUNTING POLICIES

**2.1 Basis for preparing the financial statements**

The consolidated financial statements of LR Global as of December 31, 2020 were prepared in line with the International Financial Reporting Standards (IFRS), as they have been published by the International Accounting Standards Board (IASB) and by taking into account the applicable regulations under commercial law according to Sec. 315e (1) of the German Commercial Code (HGB).

The consolidated financial statements have been prepared using the historical cost principle. This does not include certain office properties (classified as property, plant and equipment), financial assets in the form of debt instruments and equity instruments as well as contingent considerations at fair value.

The functional currency and reporting currency of the Group is euro (EUR). The consolidated financial statements are prepared in euro as the majority of transactions within the Group is implemented in said currency. Unless specified otherwise, all values are rounded up or rounded off to full thousand euros (kEUR). This can result in rounding differences.

**2.2 Consolidation principles**

The consolidated financial statements comprise the financial statements of LR Global and its subsidiaries for the year ending December 31, 2020. Control within the meaning of IFRS 10 shall be said to exist if the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the Group controls an investee if and only if it has:

- power over the investee (i.e. due to the current existing rights, the Group has the opportunity to control such activities of the investee which have a significant impact on its returns);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect the amount of the investor's returns.

In general, it is assumed that the majority of voting rights results in control. To support this assumption and if the Group has no majority of voting rights or comparable rights in an investee, it considers all relevant facts and circumstances in assessing whether it has control over the investee. These include:

- contractual agreements with other vote holders,
- rights that result from other contractual agreements,
- voting rights and potential voting rights of the Group.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The consolidation of a subsidiary commences on the day on which the Group has attained control over the subsidiary. It ends when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or sold during the reporting period are reported in the consolidated financial statements from the date the Group has obtained control of the subsidiary until the date the control ends.

Profit or loss and each component of other comprehensive income are allocated to non controlling interests even if this results in the non-controlling interests having a negative balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change of the investment amount in a subsidiary without loss of control is recognized as an equity transaction.

In the event that the Group loses control over the subsidiary, the associated assets are derecognized (including goodwill) as well as liabilities, non-controlling interests and other equity components. Any gain or loss as a result thereof is reported in profit or loss. Any retained investment is measured at fair value. Furthermore, the components of other comprehensive income attributable to the parent company are transferred to profit or loss or retained earnings, as required, and the cumulative currency translation differences are derecognized from equity.

**Basis of consolidation**
The composition of the number of fully consolidated companies is as follows:

| | Germany | International | TOTAL |
|---|---|---|---|
| **December 31, 2020** | 7 | 25 | 32 |
| **December 31, 2019** | 6 | 25 | 31 |

The change in the domestic fully consolidated companies results from the acquisition of LR Health & Beauty GmbH (formerly Rheinsee 744. V V GmbH). The purchase price amounted to kEUR 29. As a notarial shelf company the only asset of the acquired company was a bank account of kEUR 25.

### 2.3 Summary of significant accounting policies

#### a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at the acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the Group's net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the fair value of the net assets acquired is still in excess of the aggregate consideration transferred after remeasurement, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units which are expected to benefit from the business combination. This shall apply irrespective of whether other assets or liabilities of the acquired entity can be allocated to these cash-generating units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the remaining portion of the cash-generating unit.

#### b) Investments in associates and joint ventures

An associate is a company on which the Group has significant influence. Significant influence is the power to participate in the decisions on the financial and operating policy of the investee, but it is not the control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that jointly control the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Considerations made with respect to significant influence or joint control are comparable to those required for determination of control of subsidiaries. The interests of the Group in an associate or joint venture are accounted for using the equity method.

Neither in the current financial year nor in the previous financial year are investments classified as an investment in an associate or as in investment in a joint venture.

#### c) Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle,
- held primarily for the purpose of trading,
- expected to be realized within twelve months after the reporting date, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is current when it is:

- expected to be settled in normal operating cycle,
- held primarily for the purpose of trading,
- due to be settled within twelve months after the reporting date, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

Terms of a liability that can be settled with equity instruments at the option of the counterparty do not affect its classification.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### d) Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at each reporting date.

Fair value is the price that would be received in case of the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability,
- or, in case of absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant who would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which the fair value is measured or disclosed in the financial statements are categorized within the measurement hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1:** Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis at fair value, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### e) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer. Revenue is recognized in the amount of the consideration expected to be received by the Group in exchange for these goods or services. The Group has generally concluded that it acts as principal in its revenue transactions because it usually has control over the goods or services before they are transferred to the customer.

**Sale of goods**

Revenue from the sale of goods is recognized at the point in time when control of the asset is transferred to the customer, usually on delivery of the goods. The usual payment period is 7 days.

**Rights of return**

The Group uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognized as revenue. A refund liability is recognized for the goods that are expected to be returned (i.e., the amount not included in the transaction price).

**Warranty obligations**

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are recognized as warranty provisions. Details on the accounting method for warranty provisions are contained in section r) Provisions.

### f) Taxes

**Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred taxes**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.
Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax assets relating to the deductible temporary difference arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recorded outside profit or loss are also recorded outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax benefits acquired in a business combination that do not meet the criteria for separate recognition at the time of acquisition are recognized in subsequent periods to reflect any new information about facts and circumstances that existed at the time of acquisition. The adjustment is treated either as a reduction of goodwill (as long as it does not exceed goodwill), if it arises during the assessment period, or recognized in profit or loss for the period.

Deferred tax assets and deferred tax liabilities are offset only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend in any future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be recovered or settled, either to settle the current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

**Value added tax**

Expenses and assets are recognized after deduction of VAT. The following cases are an exception:

- If the VAT incurred on the purchase of assets or the use of services cannot be reclaimed from the tax authority, it is recognized as part of the cost of the asset or as part of the expenses.
- Receivables and liabilities are recognized together with the amount of VAT included therein.

The amount of VAT which is to be refunded by or paid to the tax authority is included in the balance sheet under receivables or payables.

### g) Foreign currency translation

The Group's consolidated financial statements are presented in euros, which is the parent company's functional currency. The Group determines the functional currency for each company. The items included in the financial statements of each company are measured using the functional currency. The Group applies the direct consolidation method; as soon as a foreign operation is divested, the gain or loss reclassified to profit or loss corresponds to the amount resulting from the application of this method.

**Transactions and balances denominated in foreign currencies**

Transactions in foreign currencies are recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges from exchange differences on those monetary items are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The accounting treatment of the gain or loss from the translation of non-monetary items measured at fair value is based on the recognition of the gain or loss from the change in the fair value of the item. (Translation differences from items for which the gain or loss from the measurement at fair value is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

For the purpose of determining the exchange rate to be used when initially recognizing the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from advance consideration, the date of the transaction shall be the date when the non-monetary asset or non-monetary liability arising from the advance consideration is initially recognized. If there are several payments or receipts in advance, the Group determines the transaction date for each payment or receipt from advance consideration.

**Group companies**
On consolidation, the assets and liabilities of foreign companies are translated into euros at the exchange rate applicable at the reporting date. Income and expenses are translated at the exchange rate on the day of the transaction. The resulting differences are reported under other comprehensive income. The amount recognized for a foreign operation in other comprehensive income is recognized in profit or loss as soon as this foreign operation is sold.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

The foreign exchange rates of the main currencies relevant to the Group are as follows:

| EUR 1 = | ISO code | Average exchange rates 2020 | Exchange rates at the reporting date Dec. 31, 2020 |
|---|---|---|---|
| Albanian lek | ALL | 123.7902 | 123.3000 |
| Pound sterling | GBP | 0.8892 | 0.9071 |
| Bulgarian lev | BGN | 1.9558 | 1.9558 |
| Danish krone | DKK | 7.4544 | 7.4382 |
| Norwegian krone | NOK | 10.7266 | 10.5508 |
| Polish zloty | PLN | 4.4425 | 4.5369 |
| Romanian leu | RON | 4.8379 | 4.8749 |
| Russian ruble | RUB | 82.6120 | 90.1960 |
| Swedish krona | SEK | 10.4901 | 10.0738 |
| Swiss francs | CHF | 1.0702 | 1.0865 |
| South Korean won | KRW | 1,345.1268 | 1,339.0692 |
| Czech koruna | CZK | 26.4540 | 26.3050 |
| Turkish lira | TRY | 8.0424 | 9.0359 |
| Ukrainian hryvnia | UAH | 30.8220 | 34.5345 |
| Hungarian forint | HUF | 351.1336 | 364.0500 |

### h) Property, plant and equipment
Assets under construction are recognized at cost less accumulated impairment losses. Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. If significant parts of property, plant and equipment must regularly be replaced, the Group depreciates them separately based on their corresponding useful lives.

Depreciable items of property, plant and equipment are depreciated using the straight-line method.

Straight-line depreciation of property, plant and equipment is based on the following estimated useful lives:

- **Buildings:** up to 40 years maximum
- **Technical equipment, office and operating equipment:** 3 to 23 years

Property, plant or equipment is derecognized either when it is disposed of (i.e., at the date the recipient obtains control) or when no further economic benefit is to be expected from either the use or disposal of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at the end of each financial year.

### i) Leases
With the commencement date, the Group assesses whether the contract constitutes or includes a lease. This is the case if the contract includes the right to control the use of an identified asset for a specific period in exchange for consideration.

**Group as a lessee**
The Group recognizes and measures all leases (except leases of low-value assets) using one single model. It recognizes liabilities for lease payments and right-of-use assets for the right to use the underlying assets.

**Group as a lessor**
The Group has sub-leases which are classified as operating leases. The lease liabilities and the right-of-use assets under the main lease have been recorded by the Group.

**Right-of-use assets**
The Group records right-of-use assets at the commencement date (i.e. when the underlying leased asset is ready for use). Right-of-use assets are measured at acquisition cost less any accumulated depreciation and any accumulated impairment losses and are adjusted for any remeasurement of the lease liabilities. The cost of right-of-use assets comprises the recognized lease liabilities, the initial direct costs incurred and the lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are amortized on a straight-line basis using the shorter of the lease term and the expected useful life of the leases as follows:

- **Buildings:** up to 40 years maximum
- **Equipment and machinery:** 8 years
- **Vehicles and other equipment:** 5 years

The right-of-use assets are also tested for impairment. Details on the accounting policies are provided in section p) Impairment of non-financial assets.

**Lease liabilities**
On the commencement date, the Group recognizes the lease liabilities at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives to be received, variable lease payments linked to an index or (interest) rate, and amounts expected to be paid due to residual value guarantees. Lease payments also include penalty payments for termination of the lease if the term considers that the Group may exercise the right of termination.

In calculating the present value of the lease payments, the Group uses its incremental borrowing rate at the commencement date of the lease as the interest rate underlying the lease cannot be easily determined. After the commencement date, the amount of lease liabilities is increased in order to reflect the increase in interest expense and decreased to reflect the lease payments made. In addition, the carrying amount of lease liabilities is reassessed if there is a change in the lease, in the term of the lease, in lease payments (for example in future lease payments resulting from a change in the index or interest rate used to determine those payments) or if there is a change in the assessment of an option to purchase the underlying asset.

**Leases of low-value assets**
The Group also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value.

Payments made under leases that are based on assets with a low value are recognized as expenses on a straight-line basis over the period of the lease.

**Group as a lessor**
Leases in which the Group does not transfer substantially all risks and benefits of ownership of an asset to the lessee are classified as operating leases. Rental income is recognized on a straight-line basis over the term of the leases and is reported under revenue due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as income in the period in which they are earned.

### j) Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that take a substantial period of time to be brought into a usable or saleable condition are capitalized as part of the cost of the corresponding asset. All other borrowing costs are recognized as an expense in the period in which they incurred. Borrowing costs are interest and other costs incurred by a company in connection with the raising of outside capital.

The Group has not created any assets taking a substantial period of time for production and therefore, no borrowing costs directly attributable to a qualifying asset have been determined which would have to be capitalized as part of the respective asset until such time as the asset is ready for its intended use.

### k) Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

With the exception of capitalized development costs, internally generated intangible assets are not capitalized; instead, the corresponding expenses are recognized in the income statement in the period in which they are incurred.
The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the amortization method or the amortization period due to changes in the expected useful life or the expected consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates. The amortization expense of intangible assets with finite useful lives is recognized in the statement of profit or loss the expense category consistent with the function of the intangible asset within the Company.

The Group does not have any intangible assets with an indefinite useful live except goodwill. In the case of intangible assets with indefinite useful life, an impairment test is carried out at least once a year for the individual asset or at the level of the cash-generating unit. These intangible assets are not amortized. The useful life of an intangible asset of indefinite useful life is reviewed annually to determine whether the assessment of indefinite useful life is still justified. If this is not the case, the assessment is prospectively changed from an indefinite to a finite useful life.

An intangible asset is derecognized either when it is disposed of or when no further economic benefit is to be expected from either the use or disposal of the asset. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

**Research and development costs**
Research costs are recognized as expenses in the period in which they are incurred. Development costs on an individual project are recognized as an intangible asset if the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- its intention to complete and its ability to use or sell the asset
- the way the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to reliably identify the expenses attributable to the intangible asset during its development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization begins when development has been completed and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recognized under amortization, depreciation and impairment.

### l) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### m) Financial assets

**Initial recognition and measurement**

On initial recognition, financial assets are classified for subsequent measurement either as at amortized cost, as at fair value through equity through other comprehensive income or as at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and the Group's business model for managing its financial assets. With the exception of trade receivables which do not contain a significant financing component or for which the Group has applied the practical expedient, the Group measures a financial asset at its fair value and, in the case of a financial asset that is not measured at fair value through profit or loss, plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price disclosed in section e) Revenue from contracts with customers.

For a financial asset to be classified and measured as at amortized cost or at fair value through other comprehensive income, cash flows must consist solely of payments of principal and interest (SPPI) on the outstanding principal amount. This assessment is called the SPPI test and is carried out at the level of the individual financial instrument. Financial assets with cash flows that do not exclusively represent payments of principal and interest are classified as at fair value through profit or loss irrespective of the business model and measured accordingly.

The Group's business model for managing its financial assets reflects how an entity manages its financial assets to generate cash flows. Depending on the business model, cash flows arise from the collection of contractual cash flows, the sale of financial assets or both. The financial asset is held within the framework of a business model whose objective is to hold financial assets to collect the contractual cash flows.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

**Subsequent measurement**

For subsequent measurement, financial assets are classified into two categories:

- Financial assets measured at amortized cost (debt instruments)
- Financial assets measured at fair value through profit or loss

**Financial assets measured at amortized cost (debt instruments)**

This category has the greatest significance for the consolidated financial statements. Financial assets measured at amortized cost are measured in subsequent periods using the effective interest method and are tested for impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets measured at amortized cost include trade receivables.

**Financial assets measured at fair value through profit or loss**

Financial assets measured at fair value through profit or loss are recognized in the balance sheet at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

This category includes derivative financial instruments and listed equity instruments which the Group has not irrevocably decided to classify as at fair value through other comprehensive income. Dividends from listed equity instruments are also recognized as other income in profit or loss if there is a legal claim to payment.

A derivative embedded in a hybrid contract with a financial or non-financial liability as the host contract is separated from the host contract and accounted for separately if the economic characteristics and risks of the embedded derivative are not closely related to the host contract, an independent instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. A reassessment is only made if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise have resulted from the contract, or if a financial asset is reclassified out of the fair value through profit or loss category.

The group of financial assets at fair value through profit or loss includes financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss or financial assets that must be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that do not exclusively represent payments of principal and interest are classified as at fair value through profit or loss irrespective of the business model and measured accordingly.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the balance sheet) when one of the following conditions is met:

- The rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

When the Group transfers its contractual rights to receive cash flows from an asset or enters into a pass-through agreement, it assesses whether and to what extent it retains the risks and rewards of ownership. If it neither transfers nor retains substantially all the risks and rewards of ownership of the asset nor transfers control of the asset, it continues to recognize the transferred asset to the extent of its continuing involvement. In this case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment**

The Group recognizes an allowance for expected credit losses (ECL) on all debt instruments that are not measured at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows payable under the contract and the total cash flows expected to be received by the Group, discounted using an approximation of the original effective interest rate. The expected cash flows include the cash flows from the sale of collateral held or other credit enhancements that are an integral part of the terms of the contract.

For trade receivables and contract assets, the Group uses a simplified method to calculate expected credit losses. Therefore, it does not track changes in credit risk, but instead recognizes a loss allowance at each reporting date based on lifetime ECLs.

The Group considers a financial asset as in default if contractual payments are 90 days overdue. In addition, the Group may, in certain cases, consider a financial asset as in default, if internal or external information indicates that it is unlikely that the Group will receive all outstanding contractual amounts in full before taking into account all credit enhancements held. A financial asset is written off if it cannot be reasonably expected that the contractual cash flows will be realized.

### n) Financial liabilities

**Initial recognition and measurement**

Financial liabilities are classified upon initial recognition as financial liabilities at fair value through profit or loss, as loans and borrowings or as liabilities.

All financial liabilities are initially measured at fair value, less directly attributable transaction costs in the case of loans and borrowings.

The Group's financial liabilities include trade and other payables, as well as loans and borrowings including bank overdrafts.

**Subsequent measurement**

For subsequent measurement, financial liabilities are classified into two categories:

- Financial liabilities measured at fair value through profit or loss
- Financial liabilities measured at amortized cost (loans and borrowings)

**Financial liabilities measured at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on financial liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liabilities as at fair value through profit or loss.

**Financial liabilities measured at amortized cost (loans and borrowings)**

After initial recognition, interest-bearing loans and borrowings are measured at amortized costs using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest method depreciation process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate depreciation is included as finance costs in the statement of profit or loss.

**Derecognition**

A financial liability is derecognized when the obligation underlying the liability is discharged or cancelled, or expires. If an existing financial liability is exchanged for another financial liability of the same lender with substantially different contractual terms, or if the terms of an existing liability have changed substantially, such an exchange or change is treated as derecognition of the original liability and the addition of a new liability. The difference between the respective carrying amounts is reported in the statement of profit or loss.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

### o) Inventories

Inventories are valued at the lower of cost and net realizable value.
Costs incurred in bringing the inventories to their present location and condition are recognized as follows:

- **Raw materials and supplies:** First in – first out method (Fifo)
- **Finished goods and work in progress:** Cost of direct materials and labor and an appropriate proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

The net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

p) Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is taken into account. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognized in profit or loss in the expense category consistent with the function of the impaired asset. This is not the case for previously remeasured assets if the respective remeasurement gains were recognized in other comprehensive income. For such properties, the impairment is recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Goodwill is tested for impairment annually as at December 31, and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

q) Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

r) Provisions
**General**
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects a part or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

s) Share-based payments
Employees (including executives) of the Group receive remuneration in the form of a cash settled share-based payment plan under IFRS 2 (cash-settled share-based payments). The share-based payment transaction was settled by another company of the former group (or by the shareholder of any entity of the former group) on behalf of the entity receiving the services.

For share-based payment transactions among group entities, the entity receiving the services measures the payments as either an equity-settled or a cash-settled share-based payment transaction. The entity receiving the services measures them as equity-settled share-based payment transactions when the entity has no obligation to settle the share-based payment transaction (IFRS 2.43B b). The entity subsequently remeasures such an equity-settled share based payment transaction only in the event of changes in non-market vesting conditions.

Grants of equity instruments may be contingent on specified vesting conditions being met. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest. Hence, on a cumulative basis, no amount is recognized for services received if the equity instruments granted do not vest because of failure to satisfy a vesting condition.

The entity recognizes an amount for the services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On the vesting date, the estimate must be adapted to the number of equity instruments that ultimately vested.

Market conditions upon which exercisability is conditioned, must be taken into account when estimating the fair value of the equity instruments granted. Therefore, for grants of equity instruments with market conditions, the entity shall recognize the services received from a counterparty who satisfies all other vesting conditions, irrespective of whether that market condition is satisfied (for further details see Note 23).

**2.4 Changes in accounting policies**
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The following amendments were effective for annual periods beginning on or after January 1, 2020:

- **Amendments to IFRS 3:** Definition of a Business
- **Amendments to IFRS 9, IAS 39 and IFRS 7:** Interest Rate Benchmark Reform
- **Amendments to IAS 1 and IAS 8:** Definition of Material
- **Amendments to IFRS 16:** Covid-19-related Rent Concessions

None of these amendments had a material impact on the consolidated financial statements of the Group.

**Conceptual Framework for Financial Reporting issued on March 29, 2018**
The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The amendments had no impact on the consolidated financial statements.

## 3. ESSENTIAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

The management makes judgements, estimations and assumptions for preparing the consolidated financial statements that affect the reported amounts revenues, expenses, assets and liabilities as well as disclosure of contingent liabilities reported at the end of the reporting period. The uncertainties arising from these assumptions and estimations might lead to significant future adjustments of the carrying amount of the affected assets or liabilities.

**Judgements**
The Group determines the term of the lease on the basis of the non-terminable basic term of the lease as well as the periods resulting from an option to extend the lease if it is sufficiently certain that it will exercise this option.

The most important assumptions with respect to the future as well as other key sources of estimation uncertainties existing on the reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below. The assumptions and estimations of the Group are based on parameters available at the time of preparing the consolidated financial statements. The circumstances and assumptions on future developments might, however, be subject to changes due to market fluctuations and market circumstances beyond the control of the Group. Such changes will only be reflected in the assumptions when they occur.

**Impairment of non-financial assets**
An asset or a cash-generating unit is impaired if its carrying amount exceeds the recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and the value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on the discounted cash flow method. Cash flows are derived from the business plan for the next three years and do not include restructuring measures the Group is not yet committed to and substantial future investments that will enhance the asset's performance of the cash-generating unit being tested.



The recoverable amount is most sensitive to the discount rate used for the discounted cash flow method as well as the expected future cash inflows and the growth rate used for extrapolation. The basic assumptions for determining the recoverable amount for the different cash-generating units including a sensitivity analysis are outlined in detail in Note 12.

**Cash-settled share-based payments**
In the Group, costs from granting cash-settled share-based payments to employees are recognized at the fair value of the share appreciation rights initially and at each reporting date until settled. For this, an option price model must be applied which takes into account the contractual provisions on which the share appreciation rights have been granted and the extent to which the employees have rendered service to date. Assumptions and the applied procedures for determining the fair value of the share appreciation rights are disclosed in Note 23.

**Taxes**
Deferred tax assets are recognized for unused tax losses to the extent that it is likely that taxable income will be available to allow the use of losses carried forward. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

**Other provisions**
Other provisions are naturally subject to estimation uncertainties regarding the level and timing of the obligations. The Company has to make assumptions about the probability of occurrence of an obligation or future trends, such as the costs used to calculate the obligation, on the basis of experience. Especially in the case of non-current provisions, these costs may be subject to estimation uncertainties. Furthermore, the amount of non-current provisions particularly depends on the choice and development of market discount rates.

Based on reasonable estimations, the Group recognizes provisions for potential impacts of external tax audits in countries in which it operates. The level of such provisions is based on different factors such as experience from previous external tax audits and various interpretations of fiscal provisions by the taxable entity and the competent tax authority. Such deviating interpretations may result from numerous different situations, depending on the prevailing conditions in the country of the respective Group company.

**Fair value of financial instruments**
Where the fair value of the financial assets and liabilities recorded in the balance sheet cannot be measured using quoted prices in active markets, it is determined using valuation methods including the discounted cash flow model. The input factors used in the model are based on observable market data, where possible. If these are not available, the determination of fair values is based to a large extent on judgements by management. Judgements are made on input factors such as liquidity risk, credit risk and volatility. Changes in assumptions regarding these factors may have an impact on the recognized fair value of financial instruments.

**Development costs**
The Group capitalizes product development costs of projects. The initial capitalization of costs is based on the assessment of the management that the technical and economic feasibility is confirmed, usually when a product development project reaches a certain milestone in an existing project management model. For the purpose of determining the amounts to be capitalized, the management makes assumptions on the expected future cash generation of the project, discount rates to be applied and the expected period of benefit. The carrying amount of the capitalized development costs amounted to kEUR 5,494 (2019: kEUR 4,283) as of December 31, 2020. This amount includes significant investments in the software used by the LR Group.

**Leases – estimation of the incremental borrowing rate IFRS 16.26**

The Group cannot easily determine the interest rate implicit in the lease. Therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the interest rate the Group would have to pay to borrow the funds needed in a comparable economic environment for a comparable term with comparable security for an asset with a value comparable to the right-of-use asset. The incremental borrowing rate therefore represents the interest the Group "would have to pay". If no observable interest rates are available (e.g. for subsidiaries that do not conduct financial transactions) or if the interest rate needs to be adjusted to reflect the terms of the lease (e.g. if the lease is not conducted in the subsidiary's functional currency), the incremental borrowing rate must be estimated. The Group estimates the incremental borrowing rate using observable input factors (e.g. market interest rates), if available, and must estimate company-specific inputs (e.g. individual credit rating of the subsidiary).

## 4. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenues can be allocated to the following regions:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| Central Europe | 107,650 | 80,175 |
| Western Europe | 58,910 | 42,578 |
| Southeastern Europe | 29,134 | 30,107 |
| East-Central Europe | 62,420 | 52,415 |
| Scandinavia | 3,894 | 3,649 |
| Commonwealth of Independent States | 22,869 | 15,907 |
| **TOTAL REVENUE (GOODS)** | **284,877** | **224,832** |
| Other revenue | 11,563 | 9,625 |
| Sales deductions | -15,213 | -11,144 |
| **TOTAL REVENUE** | **281,227** | **223,314** |

Revenues in the regions essentially comprise revenues from products of the Group. Other revenues comprise revenues from rendered services such as cost allocations, seminars and events.

## 5. COST OF MATERIALS

Cost of materials consists of the following:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| Cost of raw materials and supplies | -42,380 | -35,359 |
| Cost of purchased services | -8,757 | -8,233 |
| **TOTAL COST OF MATERIALS** | **-51,137** | **-43,592** |

## 6. CAPITAL MANAGEMENT

The equity attributable to the shareholders of the parent company is subject to the Group's capital management. The primary objective of the Group's capital management is to ensure a high credit rating and a high equity ratio to support its business activities, to maximize shareholder value and to ensure compliance with covenants of the loan agreement. Capital management is achieved through regular planning, control and review of EBITDA, cash flow, equity, net indebtedness and interest paid. The Company prepares annual planning which is updated via two forecasts and reviewed by monthly reporting. The Company performs direct rolling cash flow planning for short-term capital management purposes and to ensure compliance with covenants. Non-compliance with these covenants can be remedied by injecting further equity capital. In the 2020 financial year, all covenants agreed on in the framework of interest-bearing loans were complied with.

## 7. BASIS OF CONSOLIDATION

In addition to the parent company, the following subsidiaries are incorporated in the consolidated financial statements:

| | Share-holding (in %) | Currency | Equity | Net income* |
|---|---|---|---|---|
| **NAME AND REGISTERED OFFICE** | 2020 | | Dec. 31, 2020 | 2020 |
| **ACTIVE DOMESTIC COMPANIES** | | | | |
| LR Health & Beauty Systems GmbH, Ahlen** | 100 | kEUR | 62,974 | 19,888 |
| LR Health & Beauty Systems Beteiligungs GmbH, Ahlen | 100 | kEUR | 51,980 | 18,303 |
| LR-International Beteiligungs GmbH, Ahlen | 100 | kEUR | 40,122 | 578 |
| LR Partner Benefits GmbH, Ahlen | 100 | kEUR | -228 | -105 |
| Styria Immobilienleasing GmbH & Co. Projekt Ahlen KG, Ahlen | 94 | kEUR | 14 | -7 |
| LR Health & Beauty GmbH, Ahlen | 100 | kEUR | 25 | 0 |
| **ACTIVE FOREIGN COMPANIES** | | | | |
| LR Health & Beauty Systems B.V., Oisterwijk, The Netherlands | 100 | kEUR | -1,101 | 56 |
| LR Health & Beauty Systems GmbH, Innsbruck, Austria | 100 | kEUR | 183 | 144 |
| LR Health & Beauty Systems AG, Steinhausen ZG, Switzerland | 100 | kCHF | 370 | 220 |
| LR Health & Beauty Systems Kft., Budapest, Hungary | 100 | kHUF | -275,631 | -178,128 |
| LR Health & Beauty Systems ApS, Copenhagen, Denmark | 100 | kDKK | -19,835 | -1,438 |
| LR Health & Beauty Systems EPE, Athens, Greece | 100 | kEUR | -948 | 250 |
| LR Cosmetic Belgium b.v.b.a, Herentals, Belgium | 100 | kEUR | 1,801 | 237 |
| LR Health & Beauty Systems AS, HØnefoss, Norway | 100 | kNOK | -9,594 | 480 |
| L. de Racine Cosmeticos Lda., Loures, Portugal | 100 | kEUR | -5,436 | 279 |
| LR Health & Beauty Systems Sp. z.o.o., Katowice, Poland | 100 | kPLN | -211 | 1,235 |
| LR Health & Beauty Systems Ltd., Istanbul, Turkey | 100 | kTRY | -35,650 | -1,801 |
| LR Health & Beauty Systems AB, Klippan, Sweden | 100 | kSEK | -4,411 | -22 |
| LR Health & Beauty Systems OY, Turku, Finland | 100 | kEUR | -288 | -34 |
| LR Health & Beauty Systems S.R.L., Milan, Italy | 100 | kEUR | 586 | 172 |
| LR Health & Beauty Systems EOOD, Sofia, Bulgaria | 100 | kBGN | -801 | 217 |
| LR Health & Beauty Systems SRL, Bucharest, Romania | 100 | kRON | -11,520 | -797 |
| LR Russ O.O.O, Moscow, Russia | 100 | kRUB | -1,058,402 | -214,122 |
| LR Health & Beauty Systems s.r.o., Malenovice, Czech Republic | 100 | kCZK | 449,250 | 26,751 |
| LR Health & Beauty Systems SAS, Caluire-et-Cuire, France | 100 | kEUR | 1,092 | 534 |
| LR Health & Beauty Systems Sh.p.k., Tirana, Albania | 100 | kALL | -224,224 | -1,471 |
| LR Health & Beauty Systems SL, Barcelona, Spain | 100 | kEUR | -2,371 | -6 |
| LR Health & Beauty Systems s.r.o., Turzovka, Slovakia | 100 | kEUR | 183 | 165 |
| LR Health & Beauty Systems TOV, Kiev, Ukraine | 100 | kUAH | -37,530 | -3,059 |
| LR Jersey Holding Limited, Jersey | 100 | GBP | 1 | 0 |
| LR Health & Beauty LLC, Seoul, South Korea | 100 | kKRW | 1,547,803 | -972,197 |

* before profit transfer
** The company makes use of the exemption pursuant to Sec. 264 (3) of the German Commercial Code (HGB)



The direct and ultimate holding company of LR Global is Aloco Holding S.à r.L. with registered office in Luxembourg, which holds 100% (2019: 100%) of the shares in LR Global.

## 8. OTHER INCOME AND EXPENSES

### 8.1 Other operating income

The main items of other operating income are outlined in the table below:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| Currency translation gains | 5,206 | 5,014 |
| Own work capitalized | 796 | 489 |
| Sundry other operating income | 2,372 | 1,834 |
| **TOTAL OTHER OPERATING INCOME** | **8,374** | **7,337** |

#### Income from operating leases – the Group as lessor

The Group has concluded contracts for commercial leases of various vehicles. The average term of the leases is two to three years. The leases do not provide for extension options. The vehicles are leased under an operating lease from automotive leasing companies and are therefore subject to IFRS 16.

Future minimum rentals receivable under non-cancellable operating leases and included under other assets as of December 31, are as follows:

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| | kEUR | kEUR |
| Up to 1 year | 165 | 223 |
| Between 1 and 2 years | 77 | 171 |
| Between 2 and 3 years | 1 | 75 |
| **TOTAL** | **243** | **469** |

### 8.2 Personnel expenses

The main items of personnel expenses are outlined in the table below:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| Wages and salaries | -44,439 | -39,513 |
| Social security contributions | -7,547 | -6,825 |
| **TOTAL PERSONNEL EXPENSES** | **-51,986** | **-46,337** |

### 8.3 Research and development costs

Research and development costs reported in the statement of profit or loss for the 2020 financial year amount to kEUR 2,203 (PY: kEUR 2,143).

### 8.4 Other operating expenses

The main items of other operating expenses are outlined in the table below:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| Granted bonuses | -94,599 | -73,901 |
| Selling expenses | -29,960 | -29,729 |
| Administration costs | -14,705 | -11,560 |
| Legal and consulting fees | -7,715 | -6,128 |
| Royalties | -760 | -1,083 |
| Sundry other operating expenses | -2,858 | -2,330 |
| **TOTAL OTHER OPERATING EXPENSES** | **-150,597** | **-124,731** |

The increase in granted bonuses in 2020 results from the increase in revenue.

### 8.5 Earnings before interest, taxes, depreciation and amortization (EBITDA)

Earnings before interest, taxes, depreciation and amortization (EBITDA) are reported separately in the statement of profit or loss, as this performance indicator is used for control at a consolidated level and is essential for an understanding of the financial performance.

### 8.6 Amortization, depreciation and impairment

Amortization and depreciation are charged using the straight-line method over the assets' estimated useful lives and can be broken down as follows:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| **Amortization, depreciation and impairment of** | | |
| a) intangible assets | 3,546 | 3,807 |
| b) property, plant and equipment | 1,976 | 2,160 |
| c) Right-of-use assets | 6,900 | 5,672 |
| **TOTAL AMORTIZATION, DEPRECIATION AND IMPAIRMENT** | **12,422** | **11,639** |

### 8.7 Interest income

The main items of interest income are outlined in the table below:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| Interest income from bank balances | 26 | 11 |
| Other interest income | 70 | 35 |
| **TOTAL INTEREST INCOME** | **96** | **46** |

### 8.8 Interest expenses

The main items of financial expenses are outlined in the table below:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| Interest expenses shareholder loan | -664 | -664 |
| Interest expenses bank overdrafts/loans | -3,064 | -3,138 |
| Interest expenses lease liabilities | -1,000 | -809 |
| Other interest expenses | -150 | -26 |
| **TOTAL INTEREST EXPENSES** | **-4,878** | **-4,637** |

## 9. INCOME TAXES

The major items of income tax expenses for the financial years as of December 31, 2020 and December 31, 2019 are as follows:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| **Current income tax** | | |
| Current tax expenses | -5,137 | -2,332 |
| **Deferred tax income** | | |
| Origination and reversal of temporary differences | 394 | 947 |
| from deferred tax assets | 473 | 372 |
| from deferred tax liabilities | -79 | 575 |
| **TOTAL** | **-4,743** | **-1,385** |

CONSOLIDATED FINANCIAL STATEMENTS

The reconciliation between income tax expenses and the product of profit or loss for the period multiplied by the tax rate applicable for the Group (2020: 31.4%, 2019: 30.0%) for the 2020 financial year can be broken down as follows:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| **PROFIT OR LOSS FOR THE PERIOD BEFORE TAX** | 19,500 | 901 |
| Anticipated income tax (2020: 31.4%, 2019: 30%) | -6,123 | -270 |
| Change in recoverability of deferred tax assets | 616 | 106 |
| Income tax income/expenses for previous years | 560 | 0 |
| Non-deductible expenses | -462 | -980 |
| Non-deductible business expenses | -174 | -83 |
| Trade tax additions | -278 | -175 |
| Non-deductible interest expenses (corporation tax) | 0 | -394 |
| Non-deductible interest expenses (trade tax) | 0 | -388 |
| Non-deductible expenses Sec. 8b of the German Corporation Law | -10 | 60 |
| Tax rate difference | 645 | -6 |
| Other | 21 | -235 |
| **INCOME TAX EXPENSES** | **-4,743** | **-1,385** |

**Deferred taxes**
Deferred taxes can be broken down as follows:

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| | kEUR | kEUR |
| Intangible and tangible assets | -2,111 | -2,355 |
| Current assets | 338 | 404 |
| Other assets | 683 | 654 |
| Liabilities | 444 | 287 |
| **DEFERRED TAX ASSETS/LIABILITIES, NET** | **-646** | **-1,025** |
| Reported in the balance sheet as follows: | | |
| Deferred tax assets | 2,247 | 1,788 |
| Deferred tax liabilities | -2,893 | -2,813 |
| **DEFERRED TAX ASSETS/LIABILITIES, NET** | **-646** | **-1,025** |

Of the deferred tax assets reported in the balance sheet, kEUR 1,810 (PY: kEUR 1,294) become due within the next 12 months.

Of the deferred tax liabilities reported in the balance sheet none become due within the next 12 months (PY: kEUR 0).

## 10. PROPERTY, PLANT AND EQUIPMENT

The development of property, plant and equipment can be found in the statement of changes in fixed assets.

**Impairment of property, plant and equipment**
There was no evidence for the necessity to carry out an impairment test for property, plant and equipment.

## 11. INTANGIBLE ASSETS

The reported intangible assets can be essentially broken down as follows:

- Consultant workforce which was acquired for consideration in business combinations,
- Goodwill,
- Software.

In the previous year, the right-of-use asset was reported under intangible assets. As of December 31, 2020, the right-of-use asset is reported as a separate position in the balance sheet.

For software, a useful life of 3 to 7 years has been assumed.

| | Useful life |
|---|---|
| **Consultant workforce** | Useful life |
| Category 1 | 3 years |
| Category 2 | 5 years |
| Category 3 | 9 years |

## 12. GOODWILL

Acquired goodwill arose for the Group from the business combination. This amounted to kEUR 101,519 (PY: kEUR 101,519) as of December 31, 2020.

An impairment test for these assets was conducted as of December 31, 2020.
The impairment test led to no impairment in the financial year 2020.

The Group is treated as one cash-generating unit. For the calculation of the impairment test, the cash flow forecast is based on the financial figures approved by the management. The discount rate applied for the cash flow forecast amounts to 5.13% (PY: 6.41%) before tax. The cash flow forecast was based on budgetary planning for 2021 to 2023 and a growth rate for the perpetual annuity of 1% (PY: 1%) was applied.

**Basic assumptions for value in use calculation**
The following assumptions for the calculation of value in use are subject to estimation uncertainties:

- Gross margins,
- Discount rates,
- Price development,
- Market shares in the reporting period and
- Growth rate for the extrapolation of cash flow forecasts beyond the budget period.

**Gross margins –** Gross margins are based on average values achieved in the three financial years preceding the beginning of the budget period.

**Discount rates –** Discount rates represent the current market assessment of the risks specific to each cash-generating unit. The discount rate was estimated based on the weighted average cost of capital customary within the industry. This interest rate was further adapted to reflect the market assessments regarding all specific risks to the cash-generating unit for which estimations of the future cash flow have not been adapted.

**Price development –** Estimations are based on the published price indices of the countries. Forecast data is only used when publicly accessible (mainly in Germany), otherwise previous actual price developments are used as an indicator for the future price development.

**Market share assumptions –** These assumptions are important as the management assesses – as for determining assumptions for growth rates – how the position of the cash-generating unit, relative to its competitors, might change over the budget period. Management expects the Group's market share to increase during the budget period.

**Growth rate estimates –** Growth rates are based on published sector-related market research.

**Sensitivity of the assumptions made –** The management holds the view that, according to prudent judgement, no fundamentally possible change to basic assumptions for determining the value in use of the cash-generating unit might lead to a situation where the carrying amount of the cash-generating unit materially exceeds its recoverable amount. There will be no need for impairment in case of a change of the interest rate by +5%.

## 13. OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 13.1 Other financial assets

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| | kEUR | kEUR |
| Receivables from insurance contracts | 4 | 127 |
| **TOTAL** | **4** | **127** |

### 13.2 Liabilities to financial institutions

| | Interest rate | Due date | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|---|---|
| | % | | kEUR | kEUR |
| **Non-current** | | | | |
| Facility A | Euribor + margin | 2021 | 0 | 53,002 |
| Facility B | Euribor + margin | 2021 | 0 | 40,056 |
| **Current** | | | | |
| Facility A | Euribor + margin | 2021 | 43,306 | 0 |
| Facility B | Euribor + margin | 2021 | 41,494 | 0 |
| **TOTAL** | | | **84,800** | **93,058** |

The loan agreement with a syndicate of banks, which was renegotiated in October 2018, stipulates, among other things, that no repayment is required until December 30, 2021. The interest rate is 2.75% p.a., with 0.75% p.a. deferred until December 31, 2020 and 2% p.a. paid quarterly[1].

### 13.3 Fair value

The fair value of financial assets and liabilities is stated in the amount at which the respective instrument could be exchanged or settled in a current transaction (except for forced sale or liquidation) between willing parties.

The methods used and assumptions made for determination of fair values can be broken down as follows:

- Cash and cash equivalents and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, country-specific risks factors, creditworthiness of individual customers and risk characteristics of the financed project. Based on this assessment, allowances are taken into account for the expected losses of these receivables. As of December 31, 2020, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The fair value of unlisted instruments, bank loans and other financial liabilities as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risks and remaining maturities. Amortized costs are measured using the effective interest method. As of December 31, 2020, the carrying amounts of unlisted instruments, bank loans and other financial liabilities as well as other non-current financial liabilities did not deviate from their fair values.

1 For the further development, please refer to Note 33.

### 13.4 Fair value measurement

Quantitative disclosures for fair value measurement of liabilities according to hierarchy as of December 31, 2020:

| Liabilities for which a fair value is reported: | TOTAL | Fair value measurement using LEVEL 1 | LEVEL 2 | LEVEL 3 |
|---|---|---|---|---|
| Interest-bearing loans | kEUR | kEUR | kEUR | kEUR |
| Fixed-rate loan Styria | 3,895 | 0 | 3,895 | 0 |
| Variable-rate liabilities to financial institutions | 84,800 | 0 | 84,800 | 0 |
| Fixed-rate loan shareholders | 186,226 | 0 | 186,226 | 0 |
| Fixed-rate loan other | 0 | 0 | 0 | 0 |

The content of the levels is described in Note 2.3d).

Quantitative disclosures for fair value measurement of liabilities according to hierarchy as of December 31, 2019:

| Liabilities for which a fair value is reported: | TOTAL | Fair value measurement using LEVEL 1 | LEVEL 2 | LEVEL 3 |
|---|---|---|---|---|
| Interest-bearing loans | kEUR | kEUR | kEUR | kEUR |
| Fixed-rate loan Styria | 3,895 | 0 | 3,895 | 0 |
| Variable-rate liabilities to financial institutions | 93,058 | 0 | 93,058 | 0 |
| Fixed-rate loan shareholders | 185,561 | 0 | 185,561 | 0 |
| Fixed-rate loan other | 260 | 0 | 260 | 0 |

### 13.5 Objectives and policies of the risk management for financial instruments

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance business activities of the Group. The Group's principal financial assets include trade receivables and other receivables as well as cash and cash equivalents and short-term deposits which directly result from its business activity.

The Group is exposed to market risks, interest rate risks, currency risks, default risks and liquidity risks.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes three types of risk: Interest rate risk, foreign currency risk and other price risks such as the commodity price risk. Financial instruments exposed to market risk include loans, deposits and debt and equity instruments.

The sensitivity analyses in the following sections relate to the position as at December 31, 2020. The fixed-interest financial instruments are not recognized at fair value and are therefore not subject to market price risks.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term loan obligations with floating interest rates.

If the interest level at the end of the financial year had been 100 basis points higher (lower) than the yield curve, the financial result would have been kEUR 951 (PY: kEUR 1,066) lower (higher).

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's net investments in foreign subsidiaries.

#### Foreign currency sensitivity

The following table demonstrates the sensitivity of the consolidated earnings before tax (due to the change in fair values of monetary assets and liabilities) to a reasonably possible change in the EUR exchange rate vs. the Swiss franc, the Czech koruna, the Turkish lira, the Ukrainian hryvnia and the Russian ruble. All other variables remain constant.

The Group's exposure to foreign currency changes for all other currencies is not material.

| Development of the EUR exchange rate | +10% | -10% |
|---|---|---|
| Effect on profit or loss before tax | kEUR 195 | kEUR -239 |

#### Default risk

The Group is exposed to default risks in the operative area. To largely reduce these risks, outstanding receivables relating to operating activities are continuously monitored. Potential defaults are accounted for using specific and collective loss allowances. The maximum default risk can be derived from the carrying amount of each financial asset as reported in the balance sheet.

#### Liquidity risks

The liquidity risk is defined as the risk of a company having difficulties to satisfy its obligations from financial liabilities. Based on the high stock of cash and cash equivalents at the reporting date, the Group is currently not exposed to any liquidity risk. To ensure liquidity and financial flexibility of the Group at any time, liquidity reserves in form of credit lines are provided for.

The maturities of the Group's financial liabilities are as follows:

| | On demand | Up to 3 months | 3 to 12 months | 1 to 5 years | More than 5 years |
|---|---|---|---|---|---|
| **Financial year as of December 31, 2020** | | | | | |
| | kEUR | kEUR | kEUR | kEUR | kEUR |
| Interest-bearing loans | 0 | 0 | 84,800 | 0 | 0 |
| Trade payables | 6,938 | 14,768 | 3,866 | 1,719 | 169 |
| **TOTAL** | **6,938** | **14,768** | **88,666** | **1,719** | **169** |
| **Financial year as of December 31, 2019** | | | | | |
| | kEUR | kEUR | kEUR | kEUR | kEUR |
| Interest-bearing loans | 0 | 0 | 0 | 93,058 | 0 |
| Trade payables | 7,024 | 14,518 | 4,446 | 1,146 | 134 |
| **TOTAL** | **7,024** | **14,518** | **4,446** | **94,204** | **134** |

### 13.6 Changes in liabilities arising from financing

| | Jan. 1, 2020 | Cash flows | Other | Dec. 31, 2020 |
|---|---|---|---|---|
| **Financial Year 2020** | | | | |
| | kEUR | kEUR | kEUR | kEUR |
| Short-term interest-bearing loans from banks | 0 | 0 | 84,800 | 84,800 |
| Long-term interest-bearing loans from banks | 93,058 | -10,000 | -83,058 | 0 |
| Long-term interest-bearing loans from shareholders | 185,561 | 0 | 665 | 186,226 |
| **TOTAL LIABILITIES FROM FINANCING** | **278,619** | **-10,000** | **2,407** | **271,026** |

| | Jan. 1, 2019 | Cash flows | Other | Dec. 31, 2019 |
|---|---|---|---|---|
| **Financial Year 2019** | | | | |
| | kEUR | kEUR | kEUR | kEUR |
| Long-term interest-bearing loans from banks | 91,243 | -1,074 | 2,890 | 93,058 |
| Long-term interest-bearing loans from shareholders | 184,897 | 0 | 664 | 185,561 |
| **TOTAL LIABILITIES FROM FINANCING** | **276,140** | **-1,074** | **3,554** | **278,620** |

The item "Other" includes the effects of the reclassification of the long-term portion of interest bearing loans to current liabilities and the effects of accrued but not yet paid interest on interest-bearing loans. The Group classifies paid interest as cash flows from operating activities.

## 14. INVENTORIES

Inventories are measured at the lower of cost and net realizable value.

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| | kEUR | kEUR |
| Raw materials and supplies | 6,552 | 5,708 |
| Work in progress | 236 | 204 |
| Finished products | 13,111 | 12,922 |
| Goods for sale | 2,704 | 3,017 |
| Goods in transits | 298 | 353 |
| Payments on account | 340 | 847 |
| **TOTAL INVENTORIES** | **23,241** | **23,051** |

Impairment of inventories recognized as expenditure amounts to kEUR 550 (PY: kEUR 731).

## 15. TRADE RECEIVABLES

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| | kEUR | kEUR |
| Trade receivables | 11,609 | 7,429 |
| **TOTAL TRADE RECEIVABLES** | **11,609** | **7,429** |

Trade receivables do not bear interest and generally have a maturity of 30 to 90 days.

As of December 31, 2020, trade receivables were impaired at a nominal value of kEUR 3,974 (PY: kEUR 3,615). The development of the allowance account can be broken down as follows (for details, please refer to Note 13.5 "default risks"):

| | Specific loss allowance | Loss allowance on a portfolio basis | TOTAL |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| **As of January 1, 2020** | **-2,848** | **-767** | **-3,615** |
| Additions | -967 | -33 | -1,000 |
| Release | 378 | 0 | 378 |
| Utilization | 96 | 167 | 263 |
| **AS OF DECEMBER 31, 2020** | **-3,341** | **-633** | **-3,974** |

| | Specific loss allowance | Loss allowance on a portfolio basis | TOTAL |
|---|---|---|---|
| | kEUR | kEUR | kEUR |
| **As of January 1, 2019** | **-2,780** | **-691** | **-3,471** |
| Additions | -228 | -65 | -293 |
| Release | 60 | 0 | 60 |
| Utilization | 100 | -11 | 89 |
| **AS OF DECEMBER 31, 2019** | **-2,848** | **-767** | **-3,615** |

Trade receivables with a term of 6-12 months are impaired by 97% and receivables older than 12 months by 100%. Trade receivables with a maturity of less than 6 months are written down by 2% to their net carrying amount. All impairments are recognized in the allowance account.

The aging analysis of trade receivables as of December 31, is as follows:

| | | Past due | | | | |
|---|---|---|---|---|---|---|
| | Neither past due nor impaired (up to 30 days) | 30-60 days | 61-90 days | 91-120 days | Over 120 days | TOTAL |
| **2020** | 9,873 | 150 | 53 | 135 | 1,398 | **11,609** |
| **2019** | 7,247 | 123 | 136 | 118 | 3,420 | **11,044** |

## 16. OTHER ASSETS AND PREPAID EXPENSES

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| | kEUR | kEUR |
| Prepaid expenses | 1,057 | 1,545 |
| Receivables from VAT | 1,625 | 1,390 |
| Income tax receivables | 222 | 159 |
| Sundry other assets | 4,953 | 4,467 |
| **TOTAL OTHER ASSETS AND PREPAID EXPENSES** | **7,857** | **7,561** |

## 17. CASH AND CASH EQUIVALENTS

Cash at banks yields floating interest for balances at call. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

As of December 31, 2020, the undrawn committed borrowing facilities of the Group for which all necessary conditions for use were already satisfied amounted to kEUR 729 (PY: kEUR 929).

The Group has pledged a part of its cash at banks to fulfil collateral requirements. For further details, please refer to Note 24.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following as of December 31:

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| | kEUR | kEUR |
| Cash at hand | 44 | 126 |
| Cash at banks | 32,135 | 22,674 |
| **CASH AND CASH EQUIVALENTS** | **32,179** | **22,800** |

## 18. SUBSCRIBED CAPITAL AND CAPITAL RESERVES

The development of equity is shown in the statement of changes in equity.

**Currency adjustment item**

The reserve for currency translation differences serves to record the differences from the conversion of financial statements of foreign subsidiaries.

## 19. PROVISIONS

| | Personnel costs | Year-end and consultancy costs | Other pro-visions | TOTAL |
|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR |
| **As of January 1, 2020** | 1,473 | 482 | 2,917 | 4,872 |
| Addition | 1,247 | 396 | 3,372 | 5,015 |
| Utilization | -307 | -439 | -1,463 | -2,209 |
| Release | -5 | -7 | -76 | -88 |
| Currency effects | -129 | -3 | 69 | -63 |
| **AS OF DECEMBER 31, 2020** | **2,279** | **429** | **4,819** | **7,527** |
| Thereof | | | | |
| short-term | 1,563 | 429 | 4,819 | 6,811 |
| long-term | 716 | 0 | 0 | 716 |
| | 2,279 | 429 | 4,819 | 7,527 |

| | Personnel cost | Year-end and consultancy costs | Other provisions | TOTAL |
|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR |
| **As of January 1, 2019** | 2,285 | 442 | 1,547 | 4,274 |
| Addition | 411 | 394 | 2,584 | 3,389 |
| Utilization | -1,108 | -340 | -947 | -2,395 |
| Release | -133 | -13 | -291 | -437 |
| Currency effects | 17 | 0 | 24 | 41 |
| **AS OF DECEMBER 31, 2019** | **1,473** | **482** | **2,917** | **4,872** |
| Thereof | | | | |
| short-term | 815 | 482 | 2,917 | 4,214 |
| long-term | 658 | 0 | 0 | 658 |
| | 1,473 | 482 | 2,917 | 4,872 |

The personnel provisions mainly include expenses paid to employees for jubilee and one-time payments in the amount of kEUR 1,716 (PY: kEUR 1,220). Other provisions include expenses for liabilities from qualifications in the amount of kEUR 3,906 (PY: kEUR 1,656).

## 20. TRADE PAYABLES, OTHER LIABILITIES AND INCOME TAX LIABILITIES

Trade payables, lease liabilities, other liabilities and income tax liabilities can be broken down as follows:

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| | kEUR | kEUR |
| Trade payables | 27,460 | 27,268 |
| Income tax liabilities | 4,704 | 929 |
| Lease liabilities | 18,828 | 18,714 |
| Other liabilities | 14,785 | 13,771 |
| **TOTAL TRADE PAYABLES, INCOME TAX LIABILITIES AND OTHER LIABILITIES** | **65,777** | **60,682** |
| Thereof | | |
| long-term | 16,354 | 16,439 |
| short-term | 49,423 | 44,243 |

Trade payables do not bear interest and generally have a maturity of 30 days.

Other liabilities generally bear no interest and have a maturity of six months on average. Interest is usually settled on a quarterly basis.

## 21. LIABILITIES TO SHAREHOLDERS

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| | kEUR | kEUR |
| Liabilities to shareholders | 186,226 | 185,561 |

Following the closing on March 7, 2013, LR Global acquired the international LR Group from Alov S.à r.L, Luxembourg, Luxembourg, by way of a share deal. Liabilities to shareholders result from the loan of EUR 110 million granted as part of the purchase, an increase of EUR 10 million of the shareholder loan in the 2015 financial year, an increase of EUR 12.5 million in the shareholder loan in the 2018 financial year and accrued interest. The interest rate on the loan has amounted to 0.5% p.a. since October 1, 2018. These are non-current liabilities with a term of 1 to 5 years. For the shareholder loans a letter of subordination was issued, and the loans are regarded as equity in economic terms from the shareholders' point of view. See Note 1.

Conditions for the aforementioned financial liabilities:

For conditions of liabilities to related companies and parties, please refer to Note 25. For explanation of targets and methods of the Group's financial risk management, reference is made to Note 13.5.

## 22. LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

The Group has concluded leases for buildings, technical equipment and machinery, vehicles and office and operating equipment. The leases for buildings have a contract term of 1 to 15 years. The leases for technical equipment and machinery have a contract term of 1 to 5 years. The leases of the vehicles and of the office and operating equipment have a contract term of 1 to 3 years.

In the previous year, the right-of-use asset was reported under intangible assets. As of December 31, 2020, the right-of-use asset is reported as a separate position in the balance sheet. The development of right-of-use assets according to asset classes at the balance sheet date is as follows:

| | Buildings | Technical equipment and machinery | Vehicles | Office and operating equipment | TOTAL |
|---|---|---|---|---|---|
| | kEUR | kEUR | kEUR | kEUR | kEUR |
| **As of January 1, 2019** | 12,767 | 2,662 | 3,850 | 94 | 19,373 |
| Additions | 873 | 35 | 3,811 | 58 | 4,777 |
| Depreciation expense | -2,354 | -521 | -2,739 | -58 | -5,672 |
| **AS OF DECEMBER 31, 2019** | **11,286** | **2,176** | **4,922** | **94** | **18,478** |
| Additions | 2,166 | 0 | 4,181 | 715 | 7,062 |
| Disposals | 0 | -69 | 0 | 0 | -69 |
| Depreciation expense | -2,468 | -487 | -3,736 | -209 | -6,900 |
| **AS OF DECEMBER 31, 2020** | **10,984** | **1,620** | **5,367** | **600** | **18,571** |

The development of lease liabilities as of December 31, 2020 is as follows:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| **As of January 1** | 18,714 | 19,373 |
| Additions | 7,374 | 4,778 |
| Interest expense | 927 | 809 |
| Repayments | -8,187 | -6,245 |
| **AS OF DECEMBER 31** | **18,828** | **18,714** |
| short-term | 5,814 | 6,265 |
| long-term | 13,014 | 12,449 |

## 23. SHARE-BASED PAYMENT

**Cash-settled share-based payments**
Other companies of the former Group (or shareholders of a company of the former Group) granted cash-settled share-based payments for executives in 2009 and 2010. Due to special contractual agreements, these are still recognized although the exit has already taken place. The term for the share appreciation rights is another year. The fair value of the share appreciation rights was determined at the date of granting by applying a binomial model incorporating the conditions under which the instruments were granted.

As of December 31, 2020, the carrying amount of the share appreciation rights amounts to kEUR 685 (PY: kEUR 685) and no share appreciation rights were exercisable.

No alterations or cancellations of these plans were made in the 2020 financial year.

Executives of the Company have an indirect shareholding of approx. 12% of the shares in the parent company via an investment vehicle which holds shares in Aloco Holdings (Jersey) Limited. The shares in the parent company were acquired at the same price paid by the majority shareholder for acquiring LR Global. Accordingly, the shares correspond to the fair value at the acquisition date so that these are not taken into account in the consolidated financial statements.

## 24. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

**Guarantees**
The credit line, bank guarantees and loans from the loan agreement dated December 22, 2012, between LR Global (formerly: Aloco Beteiligungsgesellschaft mbH) as borrower and Commerzbank Aktiengesellschaft, Frankfurt am Main, DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Merchant Banking, SEB AG, Frankfurt am Main, NIBC Bank N.V Frankfurt am Main and Société Générale, Frankfurt am Main as creditors are secured by pledges, assignments and guarantees. The loans were granted with the proviso to comply with specific covenants.

The following serve as collateral in this respect:

- the shares in some of the companies within the Group (kEUR 267,205),
- cash at banks of some of the companies within the Group (kEUR 28,188),
- the IP rights within the Group,
- the stocks of some of the companies within the Group (kEUR 17,934),
- the intercompany receivables as well as the trade receivables of some of the companies within the Group (kEUR 207,134).

The financial institutions may use the collateral if there is an infringement against the provisions of the loan agreement.

**Contingent liabilities**
In 2011, LR Health & Beauty Systems GmbH lodged a guarantee totaling kEUR 100 at Dresdner Bank (today: Commerzbank AG), Dortmund for Global Collect BV, Hoofddorp/Netherlands, in 2016 a rent guarantee in the amount of kEUR 500 at the same bank for the Theodor F. Leifeld-Stiftung as well as a guarantee in the amount of kEUR 471 in 2019 at the same bank to the Tax Office Beckum. In 2020, a bank guarantee in an amount of kEUR 200 for the benefit of Lufthansa AirPlus Servicekarten GmbH as beneficiary was set up at the Commerzbank AG, Dortmund.

Payment obligations vis-à-vis VR-Leasing AG, Eschborn, Mercedes Benz Leasing GmbH, Stuttgart, Volkswagen AG, Spain, ALD Société Anonyme Car Leasing (ALD Automotive), Greece, TOO Machlease, Kazakhstan, and RB Leasing Ltd, Russia, have been assumed by the Group for non-payment under a set of lease contracts.

## 25. RELATED PARTY DISCLOSURES

For the Group, related companies and parties pursuant to IAS 24 are companies or parties which directly or indirectly control or are controlled by the Group or are under the joint control of and/or significantly influence the Group or are significantly influenced by the latter as well as members of the management in key positions.

Accordingly, the shareholders of LR Global, Aloco S.à r.l., Luxembourg, members of the management as well as their relatives, members of the LR Global advisory board and subsidiaries of the LR Global Group are defined as related companies or parties.

The total amount of transactions with related companies and parties in the respective financial year is outlined in the following table:

| | Receivables from related companies and parties | Liabilities to related companies and parties |
|---|---|---|
| | kEUR | kEUR |
| Shareholders 2020 | 0 | 186,226 |
| Shareholders 2019 | 0 | 185,561 |

**Conditions of business transactions with related companies and parties**
Liabilities to shareholders bear interest of 0.5% per annum.
There were no other transactions with related companies or parties in the 2020 financial year.

**Remuneration to individuals in key positions of the Group**

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| Short-term employee benefits | 5,578 | 5,659 |
| **TOTAL REMUNERATION TO INDIVIDUALS IN KEY POSITIONS OF THE GROUP** | **5,578** | **5,659** |

The amounts shown in the table were recognized as expenditure in the reporting period in connection with individuals in key positions (without members of the management). For salaries of the management and the advisory board as well as the share-based remuneration, please refer to Notes 23, 29 and 31.

## 26. PUBLISHED STANDARDS NOT YET REQUIRING MANDATORY APPLICATION

New and amended standards and interpretations published but not yet mandatory at the time of publication of the consolidated financial statements are shown below. The Group intends to adopt these new and amended standards and interpretations as of the effective date.

**Reference to the Conceptual Framework – Amendments to IFRS 3**

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework.* The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

**Proceeds before Intended Use – Amendments to IAS 16**

In May 2020, the IASB issued amendments to IAS 16 *Property, Plant and Equipment — Proceeds before Intended Use* which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets – Costs of Fulfilling a Contract* to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The Group expects the changes not to have a material impact on the Group's consolidated financial statements.

Furthermore, the following new or amended standards were published which the Group expects not to have a material impact on the Group's consolidated financial statements:

- New Standard IFRS 17 Insurance Contracts
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IFRS 1 – Subsidiary as a First-Time Adopter
- Amendments to IFRS 9 Financial Instruments – Fees in the "10 per cent" Test for Derecognition of Financial Liabilities

## 27. STATEMENT OF CASH FLOWS

The statement of cash flows has been prepared according to IAS 7 Statement of Cash Flows. Cash flows can be broken down according to operating, investing and financing activities.

The development and composition of cash flows can be seen from the statement of cash flows. The cash flow from operating activities was determined using the indirect method. The individual items of the statement of cash flows are as follows:

**Cash flow from operating activities**

In the 2020 financial year, the operating cash flow amounted to EUR 34.5 million (PY: EUR 14.4 million).

**Cash flow from investing activities**

The cash outflows from investing activities totaling EUR -5.9 million (PY: EUR -2.7 million) result from payments for investments in intangible assets and property, plant and equipment.

**Cash flow from financing activities**

Cash inflow from financing activities amounts to EUR -19.1 million (PY: EUR -6.2 million).

**Cash and cash equivalents at the end of the financial year**

Cash and cash equivalents as of the reporting date December 31, 2020 amount to EUR 32.2 million for the total Group (PY: EUR 22.8 million) and correspond to the cash and cash equivalents in the consolidated balance sheet.

CONSOLIDATED FINANCIAL STATEMENTS

### 28. AVERAGE HEADCOUNT DURING THE FINANCIAL YEAR

During the 2020 financial year, the Group employed an average headcount of 1,213 (PY: 1,136), of which 716 can be allocated to the German subsidiaries (PY: 672).

### 29. MEMBERS OF THE MANAGEMENT

The management of the Group parent company is constituted as follows:

- Andreas Friesch, Spokesman of the Management, Global Human Resources, Public Relations, Marketing & Communication, PMO, Global Sales Operations, Sales and International Services, Langenfeld, Germany
- Dr. Andreas Laabs, Managing Director Finance and Operations, IT, Legal and Compliance, Audit, New Markets, Supply Chain Management, Procurement, Hamburg, Germany

### 30. MEMBERS OF THE ADVISORY BOARD

The advisory board of the Group parent company consists of the following:

- Walter Muyres, entrepreneur, Mönchengladbach, Germany – Executive Chairman
- Christian Berner, entrepreneur, Hamburg, Germany
- Ingeborg Heinsius-Dageförde, entrepreneur, Düsseldorf, Germany
- Dr. Andreas Fendel, Managing Partner, QUADRIGA CAPITAL Eigenkapitalberatung GmbH, Frankfurt am Main, Germany
- Philipp Jacobi, Managing Partner, QUADRIGA CAPITAL Eigenkapitalberatung GmbH, Frankfurt am Main, Germany

### 31. COMPENSATION RECEIVED BY THE ADVISORY BOARD

In the 2020 financial year, the compensation received by the advisory board amounted to kEUR 320 (PY: kEUR 207).

### 32. AUDITOR'S FEE

In the 2020 financial year, services provided by the Group's auditors were accounted for as follows:

| | 2020 | 2019 |
|---|---|---|
| | kEUR | kEUR |
| Audit services | 166 | 178 |
| Tax services | 243 | 266 |
| Other services | 50 | 41 |
| **TOTAL** | **459** | **485** |

### 33. EVENTS AFTER THE REPORTING PERIOD

On January 27, 2021, LR Global Holding GmbH, the parent company of the Group, placed a senior secured corporate bond (WKN: A3HFM, ISIN: NO0010894850) with a volume of EUR 125 million. It was issued to institutional investors mainly in Germany and other European countries as part of a private placement. The bond was issued in the "Nordic bond format" under Swedish law and with the involvement of Nordic Trustee & Agency AB as trustee. Trading in the Open Market of the Frankfurt Stock Exchange started on February 3, 2021. The terms of the bond require a listing on the regulated market of the Nasdaq Stockholm within twelve months of the issue date.

The net issue proceeds were used for the repayment of the Senior Facility Agreement (SFA), which was terminated on February 4, 2021, and for a partial repayment of the shareholder loans.

Concerning possible effects on the assets, liabilities, financial position and financial performance of the Group resulting from COVID-19, which was declared a pandemic in 2020, we refer to the explanations in the outlook section of the management report.

Ahlen, April 16, 2021

**LR Global Holding GmbH**
**– Company management –**

Andreas Friesch (CEO)    Dr. Andreas Laabs (CFO/COO)

## CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS FOR THE 2020 FINANCIAL YEAR

| | | Acquisition and production costs | | | | | | Accumulated amortization, depreciation and impairment | | | | | | Carrying values | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| kEUR | Note | As of Jan. 1, 2020 | Addition | Disposal (-) | Reclassification | Currency effects | As of Dec. 31, 2020 | As of Jan. 1, 2020 | Addition | Disposal (+) | Reclassification | Currency effects | As of Dec. 31, 2020 | As of Dec. 31, 2020 | As of Dec. 31, 2019 |
| **Intangible assets** | | | | | | | | | | | | | | | |
| Goodwill | 12. | **135,055** | 4 | 0 | 0 | 0 | **135,059** | **-33,536** | -4 | 0 | 0 | 0 | **-33,540** | **101,519** | **101,519** |
| Software | 11. | **8,126** | 2,589 | -242 | 2,647 | -25 | **13,096** | **-4,140** | -1,679 | 238 | 42 | 19 | **-5,520** | **7,576** | **3,986** |
| Capitalized development costs | 11. | **7,219** | 1,694 | -22 | 54 | 0 | **8,945** | **-2,935** | -538 | 22 | 0 | 0 | **-3,451** | **5,494** | **4,284** |
| Other intangible assets | 11. | **107,781** | 590 | -3,628 | -2,703 | -43 | **101,996** | **-101,951** | -1,325 | 3,628 | -42 | 44 | **-99,646** | **2,350** | **5,830** |
| | | **258,180** | **4,877** | **-3,892** | **-2** | **-68** | **259,096** | **-142,561** | **-3,546** | **3,888** | **0** | **63** | **-142,156** | **116,940** | **115,619** |
| **Property, plant and equipment** | 10. | | | | | | | | | | | | | | |
| Buildings | | **12,591** | 136 | 0 | 0 | -48 | **12,679** | **-3,281** | -475 | 0 | 0 | 37 | **-3,719** | **8,960** | **9,310** |
| Technical equipment and machinery | | **3,196** | 166 | -8 | 11 | -4 | **3,361** | **-1,004** | -331 | 8 | 0 | 3 | **-1,323** | **2,038** | **2,193** |
| Other equipment, office and operating equipment | | **8,756** | 790 | -631 | 3 | -308 | **8,610** | **-5,328** | -1,171 | 604 | 0 | 280 | **-5,615** | **2,995** | **3,428** |
| Assets under construction | | **13** | 2 | -2 | -12 | 0 | **1** | **0** | 0 | 0 | 0 | 0 | **0** | **1** | **13** |
| Payments on account | | **26** | 54 | 0 | 0 | 0 | **80** | **0** | 0 | 0 | 0 | 0 | **0** | **80** | **26** |
| | | **24,582** | **1,148** | **-641** | **2** | **-360** | **24,731** | **-9,613** | **-1,976** | **612** | **0** | **319** | **-10,657** | **14,074** | **14,968** |
| **Financial assets** | | | | | | | | | | | | | | | |
| Cash surrender value of employer's pension liability insurance | 13.1 | **127** | 0 | -123 | 0 | 0 | **4** | **0** | 0 | 0 | 0 | 0 | **0** | **4** | **127** |
| | | **127** | **0** | **-123** | **0** | **0** | **4** | **0** | **0** | **0** | **0** | **0** | **0** | **4** | **127** |
| **TOTAL** | | **282,889** | **6,025** | **-4,656** | **0** | **-428** | **283,831** | **-152,175** | **-5,522** | **4,501** | **0** | **382** | **-152,813** | **131,018** | **130,714** |

CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS FOR THE 2019 FINANCIAL YEAR

| | | Acquisition and production costs | | | | | | Accumulated amortization, depreciation and impairment | | | | | | Carrying values | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| kEUR | Note | As of Jan. 1, 2019 | Addition | Disposal (-) | Reclassifi-cation | Currency effects | As of Dec. 31, 2019 | As of Jan. 1, 2019 | Addition | Disposal (+) | Reclassifi-cation | Currency effects | As of Dec. 31, 2019 | As of Dec. 31, 2019 | As of Dec. 31, 2018 |
| **Intangible assets** | | | | | | | | | | | | | | | |
| Goodwill | 12. | **135,055** | 0 | 0 | 0 | 0 | **135,055** | **-33,536** | 0 | 0 | 0 | 0 | **-33,536** | **101,519** | **101,519** |
| Software | 11. | **8,188** | 280 | -365 | 28 | -5 | **8,126** | **-2,888** | -1,622 | 362 | -4 | 13 | **-4,140** | **3,986** | **5,300** |
| Capitalised development costs | 11. | **7,884** | 50 | -715 | 0 | 0 | **7,219** | **-2,997** | -652 | 715 | 0 | 0 | **-2,935** | **4,284** | **4.886** |
| Other intangible assets | 11. | **108,737** | 1,636 | -2,544 | -28 | -18 | **107,783** | **-102,978** | -1,533 | 2,543 | 0 | 15 | **-101,952** | **5,830** | **5,759** |
| | | **259,864** | **1,966** | **-3,623** | **0** | **-24** | **258,182** | **-142,398** | **-3,807** | **3,621** | **-4** | **28** | **-142,563** | **115,619** | **117,463** |
| **Property, plant and equipment** | 10. | | | | | | | | | | | | | | |
| Buildings | | **12,527** | 59 | 0 | 0 | 5 | **12,591** | **-2,806** | -470 | 0 | 0 | -5 | **-3,281** | **9,310** | **9,721** |
| Technical equipment and machinery | | **3,191** | 30 | -25 | 0 | 0 | **3,196** | **-691** | -334 | 20 | 0 | 0 | **-1,004** | **2,193** | **2,501** |
| Other equipment, office and operating equipment | | **8,034** | 665 | -171 | 149 | 78 | **8,756** | **-4,070** | -1,356 | 157 | 4 | -63 | **-5,328** | **3,428** | **3,964** |
| Assets under construction | | **153** | 13 | -4 | -149 | 0 | **13** | **0** | 0 | 0 | 0 | 0 | **0** | **13** | **153** |
| Payments on account | | **0** | 26 | 0 | 0 | 0 | **26** | **0** | 0 | 0 | 0 | 0 | **0** | **26** | **0** |
| | | **23,905** | **793** | **-199** | **0** | **83** | **24,582** | **-7,567** | **-2,160** | **178** | **4** | **-68** | **-9,613** | **14,968** | **16,339** |
| **Financial assets** | | | | | | | | | | | | | | | |
| Cash surrender value of employer's pension liability insurance | 13.1 | **123** | 4 | 0 | 0 | 0 | **127** | **0** | 0 | 0 | 0 | 0 | **0** | **127** | **123** |
| | | **123** | **4** | **0** | **0** | **0** | **127** | **0** | **0** | **0** | **0** | **0** | **0** | **127** | **123** |
| **TOTAL** | | **283,892** | **2,763** | **-3,823** | **0** | **59** | **282,981** | **-149,965** | **-5,967** | **3,799** | **0** | **-41** | **-152,176** | **130,714** | **133,925** |

The following English-language translation of the German-language independent auditor's report (Bestätigungsvermerk des unabhängigen Abschlussprüfers) refers to the consolidated financial statements, prepared in accordance with the International Financial Reporting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) German Commercial Code (Handelsgesetzbuch (HGB)), as well as the group management report, prepared on the basis of German commercial law (HGB), of LR Global Holding GmbH, Ahlen, as of and for the financial year ended 31 December 2020 as a whole and not solely to the consolidated financial statements presented on the preceding pages.

## INDEPENDENT AUDITOR'S REPORT TO LR GLOBAL HOLDING GMBH

**Opinions**

We have audited the consolidated financial statements of LR Global Holding GmbH, Ahlen, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated statement of profit or loss for the 2020 financial year, consolidated statement of comprehensive income, notes to the consolidated financial statements, including a summary of significant accounting policies, consolidated statement of cash flows and consolidated statement of changes in equity for the 2020 financial year. In addition, we have audited the group management report of LR Global Holding GmbH for the financial year from 1 January 2020 to 31 December 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the financial year from 1 January 2020 to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

**Basis for the opinions**

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

**Responsibilities of the executive directors for the consolidated financial statements and the group management report**

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

**Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hamburg, 16 April 2021

**Ernst & Young GmbH**
**Wirtschaftsprüfungsgesellschaft**

| | |
|---|---|
| Brorhilker | Fröhlich |
| Wirtschaftsprüfer | Wirtschaftsprüferin |
| [German Public Auditor] | [German Public Auditor] |

# WE BELIEVE IN MORE

# MORE QUALITY FOR YOUR LIFE

**IMPRINT**
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**Manager:**
Andreas Friesch (CEO),
Dr. Andreas Laabs (CFO/COO)

Strict COVID-19 protection measures were observed while interviews and photos were obtained.

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